

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input checked="" type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name City of Lansing	County Ingham
Fiscal Year End 6/30/2007	Opinion Date December 14, 2007	Date Audit Report Submitted to State December 19, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

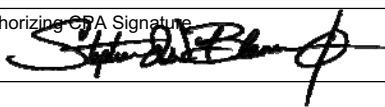
YES
NO

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☐ ☒ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☒ ☐ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>			
Other (Describe)	<input checked="" type="checkbox"/>			
Certified Public Accountant (Firm Name) REHMANN ROBSON		Telephone Number 517-787-6503		
Street Address 675 Robinson Road		City Jackson	State MI	Zip 49204
Authorizing CPA Signature 		Printed Name Stephen W. Blann, CPA, CGFM		License Number 24801

CITY OF LANSING

2007 Comprehensive Annual Financial Report

FOR
FISCAL YEAR ENDED JUNE 30, 2007



VIRG BERNERO, **Mayor**
Gerald Ambrose, *Acting Director of Finance*

Prepared by:
Department of Finance

LANSING CITY GOVERNMENT

2007

MAYOR

VIRG BERNERO

CLERK

CHRIS SWOPE

DISTRICT COURT JUDGES

PATRICK F. CHERRY

CHARLES F. FILICE

AMY KRAUSE

FRANK J. DELUCA

LOUISE ALDERSON

AT LARGE

DERRICK QUINNEY

KATHIE DUNBAR

BRIAN JEFFRIES

CAROL WOOD

CITY COUNCIL

BY WARDS

HAROLD LEEMAN – 1st Ward

SANDRA ALLEN – 2nd Ward

WILLIAM MATT – 3rd Ward

TIM KALTENBACH – 4th Ward

OFFICERS

Acting City Assessor..... Diane Lee
City Attorney Brigham Smith
City Treasurer Antonia Kraus
Executive Assistant to the Mayor..... Gerald Ambrose
Finance, Acting Director of Gerald Ambrose
Fire Chief William Cochran
Human Relations & Community Services, Director of Joan Jackson Johnson
Internal Auditor Arnie Yerxa
Parks & Recreation, Director of Murdock Jemerson
Human Resources, Director of Terri Singleton
Planning & Neighborhood Development, Director of Robert Johnson
Police Chief Mark Alley
Public Service, Director of Chad Gamble

INTRODUCTORY SECTION

City of Lansing, Michigan

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INTRODUCTORY SECTION

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FINANCE DEPARTMENT

831 City Hall, 124 W. Michigan Ave.
Lansing, Michigan 48933
(517) 483-4500

December 14, 2007

Virg Bernero, Mayor

Council President Harold Leeman
and Council Members
10th Floor City Hall
Lansing, Michigan 48933-1694

Dear President Leeman and Council Members:

We are pleased to submit the comprehensive annual financial report of the City of Lansing, Michigan for the fiscal year ended June 30, 2007. Responsibility for both the accuracy of the data, and the completeness and fairness of the presentation, including all disclosures, rests with the City. To the best of our knowledge and belief, the enclosed data are accurate in all material respects and are reported in a manner designed to present fairly the financial position and results of operations government wide and of the various funds of the City. This management assurance is supported by a comprehensive system of internal controls designed to reasonably ensure that assets of the City are protected from loss, theft or misuse and to ensure that adequate accounting data are compiled to allow for the preparation of these financial statements in conformity with generally accepted accounting principles. Such controls include appropriate policies and procedures, ongoing risk assessment, and monitoring and review processes which are communicated throughout City operations. Disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included.

This letter of transmittal is designed to complement the Management's Discussion and Analysis and should be read in conjunction with it. The Management's Discussion and Analysis can be found immediately following the Independent Auditors' Report

The financial reporting entity (the City) includes all of the funds and of the primary government (i.e., the City as legally defined), as well as its blended component units. Blended component units, although legally separate entities, are, in substance, part of the primary government's operations and are included as part of the primary government. The Lansing Building Authority is a blended component unit. Discretely presented component units are reported in a separate column in the combined financial statements to emphasize that they are legally separate from the primary government and to differentiate their financial position, results of operations and cash flows from those of the primary government. The Lansing Entertainment & Public Facilities Authority, Tax Increment Finance Authority, and the Brownfield Redevelopment Authority are reported as discretely presented component units.

The City of Lansing provides a full range of services, including police and fire protection; sanitation services; the construction and maintenance of highways, streets, sewers, and infrastructure; recreational activities and support for human services and cultural events.

Serving as Michigan's capital since 1848, Lansing was incorporated in 1859 and operates under provisions of Public Act 279 of 1909, as amended (the "Home Rule City Act"). The City is located in the lower middle of Michigan's Lower Peninsula and operates under a strong Mayor form of government established by 1978 Charter revision. It is a mature core City with a population of 119,286 according to revised 2000 Census figures.

ECONOMIC CONDITION AND OUTLOOK:

City of Lansing Economic Overview. Though the state of Michigan continues to suffer through a one-state economic restructuring, averaging through the year a remarkable 7.2% unemployment rate, the highest in the nation, the city of Lansing has done very well. In fact, according to the U.S. Department of Labor, the Metropolitan Statistical Area (MSA Lansing/East Lansing) was the only MSA in the state of Michigan to experience a net job growth increase for the calendar year 2006. Not Grand Rapids, Ann Arbor, Birmingham or Royal Oak, but the city proper of Lansing. The city experienced an average unemployment rate of approximately 5.4% through FY 2007, with the nation in the mid to lower four percentile and, again, the state at the 7.2% rate or higher.

In comparing calendar years 2005 to 2006, the city experienced a 324% increase in private investment and a 289% increase in job growth.

This growth can be attributed to a number of factors:

First, GM brought on line the new Lansing Delta auto assembly plant, located in the city, employing over 3500 people. A third shift was added in the spring of 2007 due to the leading sales of the Acadia, Outlook and Enclave SUVs. In addition, three new major auto suppliers, all located in the city, ramped up creating several thousand jobs. This is in addition to the five year old Lansing Cadillac car assembly plant, also located in the city, which continues to produce one of the best selling cars in the GM product line, the Cadillac CTS. All of these plants received significant incentive packages from the city of Lansing.

Secondly, the Demmer Corporation morphed from an auto-related manufacturing operation to military-related production, landing a number of very large Pentagon contracts related to the depletion of equipment in the Iraq War. As the city of Lansing announced an incentive package to consolidate this new work in a Lansing facility, Demmer originally projected creation of 380 new manufacturing jobs. However, by June of 2007, Demmer had already hired more than 700 new employees and was well on its way to creating a total of over 1000 new manufacturing jobs. In addition, the city has been very aggressive with as many smaller manufacturing firms as possible, giving economic incentives and creating handfuls of new jobs at a time, resulting in a total of

hundreds of jobs. This all occurred, when there was no significant closures in our manufacturing sector, unlike almost all other regions of the state.

Thirdly, a growing list of bio-tech firms and IT firms grew in the city. All due to a series of city incentives and city recruitment and retention efforts, Neogen, Niowave, Aquabiochip, IDV Solutions, Emergent Biosolutions, Spartan Internet and others experienced job growth.

Fourthly, downtown Lansing and Old Town continue to blossom in economic growth terms in ways not seen in over 40 years. Many to nearly all once-empty buildings have been recently purchased and rehabilitated by a generation of young entrepreneurs who are fierce about placing, not only retail, but the right kind of retail, in the first floors while always utilizing higher floors with new loft, apartment and condo development. On Washington Square, the main street of downtown Lansing and in Old Town, retail vacancy rates are under a very healthy 10% while residential populations, in and around downtown, are exploding with hundreds of new units that sell out before construction is completed, creating a whole new attractive and a disposable income-related residential activity. Nearly all of these projects are heavily supported by the city's economic development incentives.

Finally, Mayor Bernero and the Lansing Economic Development Corporation (LEDC) have put in place new programs such as:

- 1) A greatly upgraded economic development office staff for the city.
- 2) The successful adoption of a joint Lansing/East Lansing TIF district in the newly created Lansing Regional SmartZone.
- 3) The adoption of a Tool and Die Recovery Zone.
- 4) The award of a federal grant to put in place a historic district downtown.
- 5) The formal announcement of the state's first multi-jurisdictional Corridor Improvement District on the critical Michigan Avenue corridor, which directly connects downtown East Lansing and Michigan State University with the capitol building in downtown Lansing.
- 6) The Linking Lansing and "U" program, which is a multi-faceted approach to connecting the city with the creative class, in particular, graduates and students of Michigan State University, Cooley Law School and Lansing Community College through job shadowing, internships, mentoring, regular trolley service and new events such as "Blues on the Square".
- 7) Beautification efforts in the downtown.
- 8) Mayor Bernero's "Go Green" environmental initiative.

These are all examples of Mayor Bernero's and the LEDC's attempts to institutionalize a successful and long term strategic economic development plan for the city.

CHALLENGES:

But all is not rosy and there was and will be challenges facing the city:

- 1) The city endures a 24% poverty rate.
- 2) Updated census figures show another residential decline in city population, dipping below the 115,000 level from near 120,000.
- 3) The Lansing School District saw further student enrollment declines.
- 4) The Tax Increment Finance Authority (TIFA) downtown was unable to make full debt service payments (the TIFA pays most of the city parking debt, Lansing Center debt and the Ingham County/City of Lansing consolidated building debt service). The TIFA fell \$350,000 short which was covered by the full faith and credit of the city of Lansing. Revenue fell short in the TIFA due to unexpected and hefty tax reassessment victories by the private sector led by the significant hit of the Radisson hotel's reassessment. Future projections for the TIFA are strong and FY 2008 projections show the TIFA in the black and paying the city back the \$350,000. However, if the state were to pull another state building off the tax rolls and expected projects (State Trooper headquarters and another state department) do not come on line, the TIFA may again be in danger.
- 5) The south side of Lansing, where 60% of the city's population lives and where most retail activity takes place, is experiencing a 20% plus retail vacancy rate.
- 6) As across the country, housing sales and values have decreased and Lansing is experiencing a high foreclosure rate (the state has the fifth highest foreclosure rate in the country).
- 7) While the downtown is strong in redevelopment activity, retail development is focused on restaurant development, not on true store growth. Also, while Class A office space vacancy is very low, Class B and C vacancy rates remain very high, sometimes above 40% averages.
- 8) The downtown is also too dependent on state government, a classic no-growth industry. While the state remains an obvious anchor to the downtown, efforts must be redoubled to retain and grow a dwindling private sector. This must include a strategic effort to retain and recruit state associations, corporate headquarters and IT firms to downtown. It is entirely unproductive for the region to grow (read: flatten out and disappear) with these types of firms spreading from the downtown to outlying areas. Utterly, the region will only succeed in the 21st century if there is a strong re-concentration of private development in downtown Lansing (and in East Lansing's downtown for that matter), by a growing, skyline-changing, interesting cluster of buildings that makes the region visible, symbolically and in real terms, as a genuine cosmopolitan area, attractive to younger people and high growth industry. This is the only way to truly grow the entire region, especially the suburban areas.

- 9) The arts and cultural industry again has been struck hard by reduced state grant funding and private sector support. This critical piece to an economic development puzzle, especially when thoughts are of a continued strengthening of downtown Lansing as a source of growing young people and young businesses, needs to be reinforced with an infusion of public investment (the city needs to support the current arts community as well as to build a Performing Arts Center). For instance, the Boarshead Theater, Lansing Symphony and Lansing Art Gallery, both located in downtown, remain in precarious financial positions and the future of the Old Town Creole Gallery/Theater needs to be monitored and nurtured carefully.
- 10) The downtown and, in particular, attempts to retain and attract corporate headquarters and newer and bigger convention business to the Lansing Center, continues to be badly damaged by a Radisson/City of Lansing non-compete agreement that seemingly does not allow for any downtown development that includes incentives to support new downtown hotels.
- 11) The Majority restaurant closed in downtown and the LEDC agreed to a temporary suspension of \$344,000 LEDC loan repayments until the fall of 2007. The Boys Training School (Eastside Village) has not paid their taxes, in 2007. While this particular residential development struggles, it puts in danger Lansing Brownfield Redevelopment Authority large bond payments that are due in calendar year 2008. The bonds are covered by the city's full faith and credit and are also covered, at least in part, by letters of personal credit of the developers.

BRIGHT OUTLOOK:

Mayor Bernero and the LEDC have crafted many, aggressive strategic plans that focus on immediate project developments as well as long term solutions. Statistical evidence supports the success of this program already. Lansing is experiencing a market-driven re-birth, it is one of if not the strongest market in Michigan. Simply put, these announcements will fully reconfigure downtown Lansing, its riverfront and its skyline and radically shift its real estate, residential, retail and convention markets. These projects will reinforce the city's efforts to diversify and strengthen the private sector in downtown and tech sector in the SmartZone, save Boarshead Theater from financial demise, lead the state in how to retain and recruit the creative class and university graduates from Michigan State University and help corridor neighborhood/commercial areas including South Lansing. If the city can avoid a perfect disaster of a UAW/GM strike and a prolonged state of Michigan government shutdown, expect Lansing to continue to experience typical urban problems, but shine as "Michigan's Miracle" in economic development.

OTHER INFORMATION:

Budgeting Controls. The objective of the City's budgetary controls is to ensure compliance with legal provisions embodied in the annual appropriated budget approved by City Council. The City also maintains an encumbrance accounting system, whereby purchase orders amounts are deducted from the available budget, as one technique of accomplishing budgetary control. Encumbered amounts lapse at year end and require Council approval to be carried forward to the ensuing fiscal year for amounts greater than \$5,000 or greater than eight months old. The budget is adopted at the activity level within each department.

Risk Management. The City carries all-risk coverage on all real and business personal property. The total coverage is \$485 million with a \$25,000 self insured retention. Workers Compensation is self insured with excess reinsurance coverage for claims exceeding \$500,000 from the State Accident Fund. The City carries liability coverage in the amount of \$16 million per occurrence.

Independent Audit. State statutes require an annual audit by independent certified public accountants. The accounting firm of Rehmann Robson, was selected by the City's Audit Committee. In addition to meeting requirements set forth in State statutes, the audit also was designed to meet the requirements of the Federal Single Audit Act of 1984 and related OMB Circular A-133. The auditors' report on the general-purpose financial statements and schedules is included in the financial section of this report.

Awards. The Government Finance Officers Association (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City for its Comprehensive Annual Financial Report for the fiscal year ended June 30, 2006. This was the 29th consecutive year that the City has received this prestigious award. In order to be awarded a Certificate of Achievement, the City must publish an easily readable and efficiently organized comprehensive annual financial report. This report satisfied both generally accepted accounting principles and applicable legal requirements.

The Certificate of Achievement is valid for a period of one year only. We believe that our current Comprehensive Annual Financial Report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

Acknowledgments. The preparation of this comprehensive annual financial report, on a timely basis, was made possible by the dedicated service of the entire staff of the Finance Department. Each member of the department has our sincere appreciation for their contributions made in the preparation of this report and in the financial management of the City. The 29th consecutive GFOA award, recognizing their efforts, is well deserved indeed.

Sincerely,

A handwritten signature in black ink, appearing to read 'Virg Bernero', with a stylized, flowing script.

Virg Bernero
Mayor

A handwritten signature in black ink, appearing to read 'Gerald Ambrose', with a stylized, flowing script.

Gerald Ambrose
Director of Finance

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Lansing
Michigan

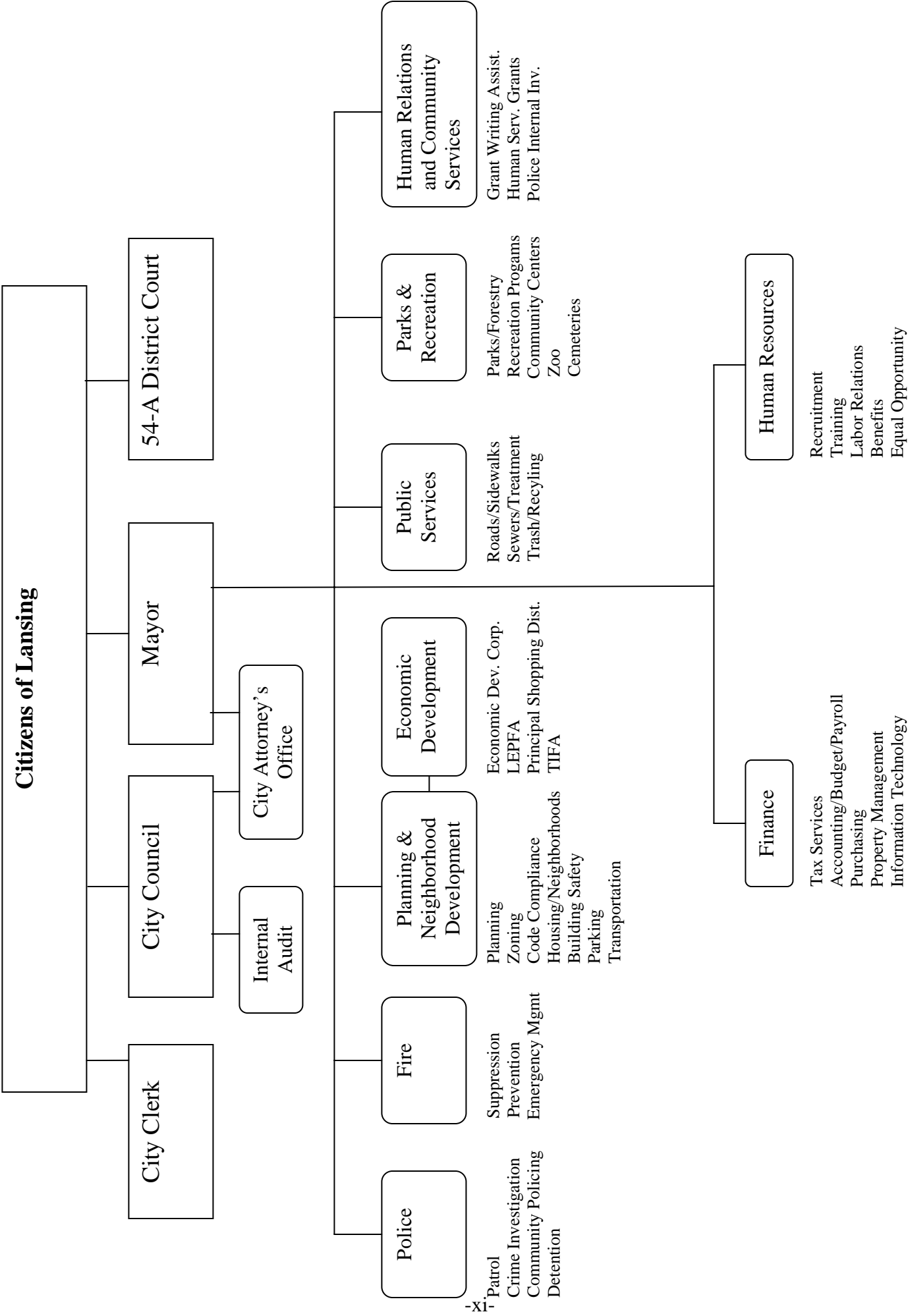
For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
June 30, 2006

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.



President

Executive Director



FINANCIAL SECTION



REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP



INDEPENDENT AUDITORS' REPORT

December 14, 2007

Honorable Mayor and
Members of the City Council
City of Lansing, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund and the aggregate remaining fund information of the ***City of Lansing, Michigan***, as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Lansing's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lansing, Michigan, as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparisons for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2007, on our consideration of the City of Lansing, Michigan's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters, in a separately issued single audit report. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 3-12 and the historical pension supplementary information for the Employees' and Police and Fire Retirement Systems listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit this information and do not express opinion on it.

Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City of Lansing's basic financial statements. The introductory section, combining and individual fund financial statements and schedules, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual fund financial statements and schedules have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole. The introductory and statistical sections have not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

A handwritten signature in black ink that reads "Lehmann Johnson". The signature is written in a cursive, flowing style.

MANAGEMENT'S DISCUSSION and ANALYSIS

MANAGEMENT'S DISCUSSION AND ANALYSIS

The management of the City of Lansing, Michigan (“the City”) provides this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2007 for the benefit of the readers of these financial statements. This management’s discussion and analysis (“MD&A”) is intended to assist the reader in focusing on significant financial issues and provide an overview of the City’s financial activity. The City encourages the readers to consider the following information here in conjunction with the financial statements taken as a whole, which follow this section.

HIGHLIGHTS

Government-wide:

- The assets of the City exceeded its liabilities at the close of the fiscal year by \$455.6 million (reported as *net assets*), an increase of \$2.6 million from the previous year. Component units of the City reported a deficit of net assets of \$41.3 million, a decrease of \$1.4 million from the previous year.

Fund Level:

- As of the close of the fiscal year, the City’s governmental funds reported combined ending fund balances of \$44.7 million. Of this, \$40.3 million is reported as unreserved fund balance, inclusive of \$5.7 million in the City’s Budget Stabilization Fund and \$7.0 million designated for capital projects for subsequent year expenditure. The remaining fund balance of \$4.4 million is reserved for specific purposes, such as long-term advances to other funds and encumbrances. At the end of the fiscal year, unreserved, undesignated fund balance for the General Fund was \$4.4 million, an increase of \$1.7 million.
- The business-type activities reported net assets at year-end of \$231.0 million, an increase of \$5.5 million during the year.

Debt:

- The City’s total debt was \$265.3 million at June 30, 2007, an increase of \$18.4 million (or 1.4%), which represents the net difference between new issuances, and payments and refunding of outstanding debt. During the year, the City issued debt of \$46.4 million, including \$21.7 million in limited tax general obligation bonds for its Combined Sewer Overflow (CSO) abatement project, and refunded \$9.2 million of limited tax general obligation bonds. More detailed information regarding these activities and funds can be found in footnote 3-G, Long Term Debt which begins on page 49.

OVERVIEW OF THE FINANCIAL STATEMENTS

This MD&A is an introduction to the City’s basic financial statements, which comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other required supplementary information in addition to the basic financial statements.

Government-wide Statements (Reporting the City as a Whole) These statements include all non-fiduciary assets and liabilities, but exclude assets and liabilities related to pensions. The Statement of Net Assets and the Statement of Activities are two financial statements that report information about the City, as a whole, and about its activities, which provide measurements of long term trends that should help answer this question: Is the City, as a whole, better off or worse off as a result of this year’s activities? Unlike the governmental funds, the current year’s revenues and expenses are taken into account regardless of when cash is received or paid, known as “full accrual accounting”.

The Statement of Net Assets (page 13) presents all of the City's assets and liabilities, with the difference between the two reported as "net assets". Over time, increases and decreases in net assets are an indicator of whether the City's long term financial position is improving or deteriorating.

The Statement of Activities (pages 14 and 15) presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying events giving rise to the change occur, regardless of the timing of related cash flows. Therefore, revenues and expenses are reported in these statements for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

The Statement of Net Assets and the Statement of Activities report three activities, as follows:

- *Governmental Activities* – Most of the City's basic services are reported under this category. Property taxes, income taxes, and intergovernmental revenues generally fund these services. The Council (legislative branch), the District Court (judicial branch), and general operations of the executive branch departments, such as police, fire, parks, public works, and staff departments fall within the governmental activities.
- *Business-type Activities* – The City charges fees to customers to help cover all or most of the cost of certain services it provides. Sewage collection and treatment and commercial area parking are examples of business-type activities.
- *Discretely Presented Component Units* – Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The City has three such discretely presented units; the Lansing Entertainment and Public Facilities Authority, the Tax Increment Finance Authority, and the Brownfield Redevelopment.

These financial statements include two schedules (pages 17 and 19) that reconcile the amounts reported on the governmental fund financial statements (modified accrual accounting) with governmental activities (full accrual accounting) on the appropriate government-wide statements. The following summarizes the impact of transitioning from modified accrual to full accrual accounting:

- Capital assets used in governmental activities are not reported on governmental fund statements.
- Certain revenues that are earned, but not available for use within the reporting period, are reported as revenues for governmental activities, but are reported as deferred revenue on the governmental fund statements.
- Other long-term assets that are not available to pay for current period expenditures are deferred in governmental fund statements, but not deferred on the government-wide statements.
- Internal service funds are reported as governmental activities, but reported as proprietary funds in the fund financial statements.
- Bond issuance costs, discounts and premiums in the issuance of long term debt, are reported as expenditures in governmental fund statements, but are capitalized and amortized in the government-wide statements.
- Unless due and payable, long-term liabilities, such as capital lease obligations, compensated absences, litigation, and others only appear as liabilities in the government-wide statements.

- Capital outlay spending in excess of capitalization thresholds are recorded as capital assets on the government-wide statements, but are reported as expenditures on the governmental fund statements.
- Bond and note proceeds result in liabilities on the government-wide statements, but are recorded as other financing sources on the governmental fund statements.
- Certain other outflows, such as debt service principal payments, represent decreases in liabilities on the government-wide statements, but are reported as expenditures on the governmental fund statements.

The Notes to the Basic Financial Statements provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes can be found beginning on page 30 of this report.

Fund Financial Statements (Reporting the City's Major Funds)

The City's Major Funds are identified as its Sewage Disposal Fund, and its Parking System Fund, along with its General Fund. The major fund financial statements begin on page 16. In addition to major funds, individual fund data for the nonmajor funds begins on page 66. A fund is a fiscal and accounting entity with a self-balancing set of accounts that the City uses to keep track of specific sources of funding and spending for a particular purpose.

- *Governmental funds* -- Most of the City's basic services are reported in the governmental funds, which focus on how money flows into and out of those funds and the balances left at year-end that are available for future spending. The governmental fund financial statements provide a detailed short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are greater or fewer financial resources that can be spent in the near future to finance the City's programs. These funds are reported using modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. Governmental funds include the General Fund and special revenue, capital project, debt service, and permanent funds.
- *Proprietary funds* -- When the City charges customers for the services it provides, whether to outside customers or to other agencies within the City, these services are generally reported in proprietary funds. Proprietary funds (enterprise and internal service) utilize full accrual accounting; the same method used by private sector businesses. Enterprise funds report activities that provide supplies and services to the general public. Examples are the Sewage Disposal Fund and the Parking Fund. Internal service funds are reported as governmental activities on the government-wide statements.
- *Fiduciary Funds* -- The City acts as a trustee or fiduciary for its employee pension plans. It is also responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. The City's fiduciary activities are reported in separate Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets beginning on page 25. These funds, which include pension and other employee benefit funds, are reported using full accrual accounting. The government-wide statements exclude fiduciary fund activities and balances because these assets are restricted in purpose and do not represent spendable assets of the City to finance its operations.

Additional Required Supplementary Information

Following the basic financial statements is additional Required Supplementary Information that further explains and supports the information in the financial statements. The Required Supplementary Information includes required pension supplementary information.

Other Supplementary Information

Other supplementary information includes combining financial statements for nonmajor governmental and proprietary funds, internal service funds, and fiduciary funds. These funds are added together, by fund type, and presented in single columns in the basic financial statements, but are not reported individually, as with major funds, on the governmental fund financial statements.

FINANCIAL ANALYSIS OF THE GOVERNMENT AS A WHOLE

The City's combined net assets increased \$2.6 million over the course of this fiscal year's operations to a total of \$455.6 million. The net assets of the governmental activities decreased \$2.9 million or 1.3% and business-type activities increased \$5.5 million or 2.5%.

*Net Assets as of June 30,
(in millions of dollars)*

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total Primary Government</i>	
	<i>2007</i>	<i>2006</i>	<i>2007</i>	<i>2006</i>	<i>2007</i>	<i>2006</i>
Assets						
Current and other non-current assets	\$ 73.3	\$ 67.6	\$ 99.8	\$ 97.2	\$ 173.1	\$ 164.8
Capital assets	<u>221.4</u>	<u>216.3</u>	<u>359.1</u>	<u>342.5</u>	<u>580.5</u>	<u>558.8</u>
Total assets	<u>\$ 294.7</u>	<u>\$ 283.9</u>	<u>\$ 458.9</u>	<u>\$ 439.7</u>	<u>\$ 753.6</u>	<u>\$ 723.6</u>
Liabilities						
Liabilities						
Long-term liabilities	\$ 52.3	\$ 41.8	\$ 218.7	\$ 209.5	\$ 271.0	\$ 251.3
Other liabilities	<u>17.8</u>	<u>14.6</u>	<u>9.2</u>	<u>4.7</u>	<u>27.0</u>	<u>19.3</u>
Total liabilities	<u>\$ 70.1</u>	<u>\$ 56.4</u>	<u>\$ 227.9</u>	<u>\$ 214.2</u>	<u>\$ 298.0</u>	<u>\$ 270.6</u>
Net assets						
Invested in capital assets, net of related debt	184.1	190.3	166.3	161.3	350.4	351.6
Restricted	37.7	36.7	35.8	36.4	73.5	73.1
Unrestricted	<u>2.8</u>	<u>.5</u>	<u>28.9</u>	<u>27.8</u>	<u>31.7</u>	<u>28.3</u>
Total net assets	<u>\$ 224.6</u>	<u>\$ 227.5</u>	<u>\$ 231.0</u>	<u>\$ 225.5</u>	<u>\$ 455.6</u>	<u>\$ 453.0</u>

The largest component (76.9%) of the City's net assets reflects its investment in capital assets (e.g. land, buildings, equipment, infrastructure, and others), less any related debt outstanding that was needed to acquire or construct the assets. Restricted net assets are the next largest component, comprising 16.1 %, and are subject to external restrictions such as bond covenants, City Charter, State legislation or Constitutional provision. The remaining portion, unrestricted net assets, are resources that may be used at the City's discretion, but often have limitations based on policy action.

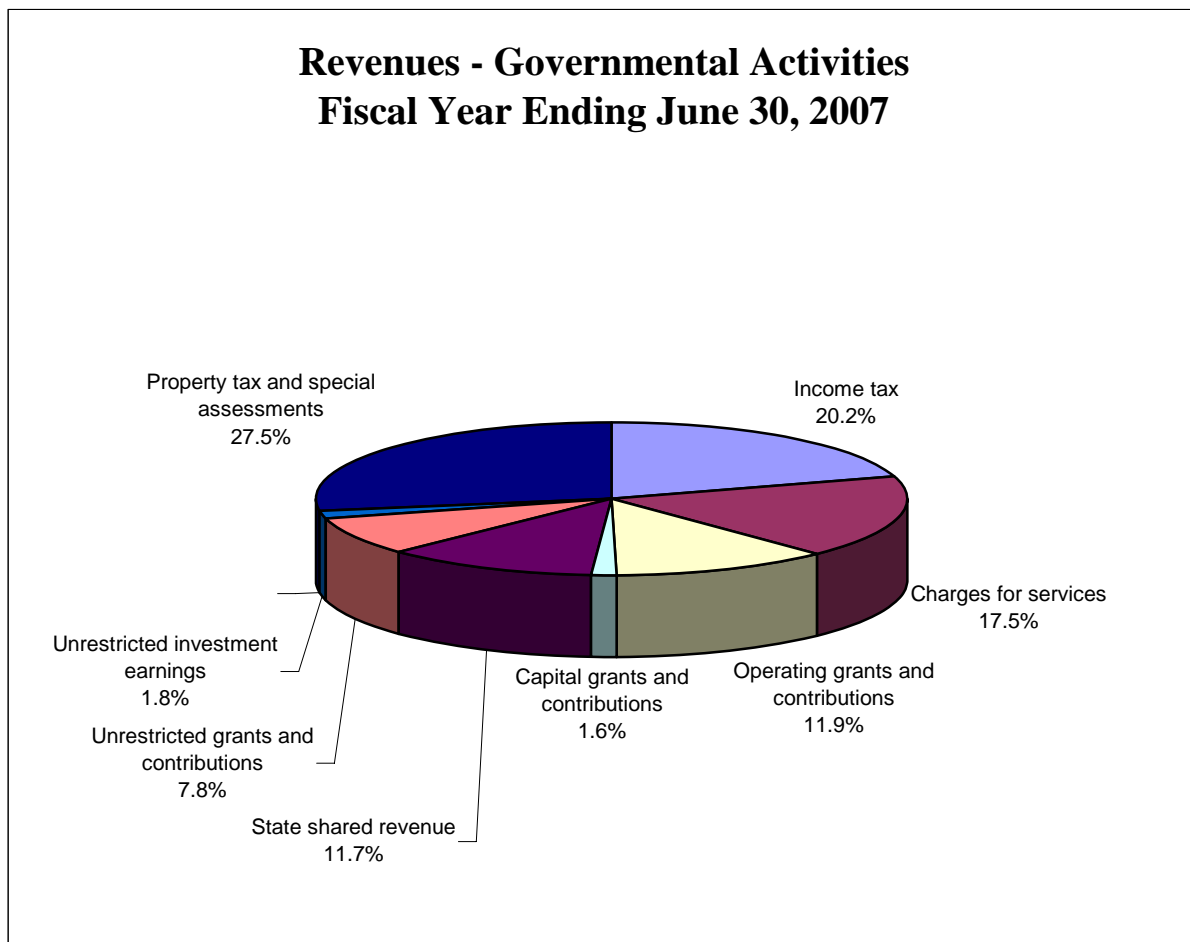
The following condensed financial information was derived from the government-wide Statement of Activities and reflects how the City's net assets changed during the fiscal year:

*Change in Net Assets
for the Fiscal Year Ended June 30,
(in millions of dollars)*

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total Primary Government</i>	
	<i>2007</i>	<i>2006</i>	<i>2007</i>	<i>2006</i>	<i>2007</i>	<i>2006</i>
Revenues						
Program revenues						
Charges for services	\$ 24.4	\$ 24.9	\$ 43.6	\$ 42.9	\$ 68.0	\$ 67.8
Operating grants	16.5	16.1	-	-	16.5	16.1
Capital grants	2.2	3.6	.2	1.4	2.4	5.0
General revenues						
Taxes	66.6	64.5	-	-	66.6	64.5
State shared revenue	16.4	16.9	-	-	16.4	16.9
Unrestricted Grants and Contribution:	10.9	9.9	-	-	10.9	9.9
Unrestricted Investment		-	-			
Earnings	2.5	1.7	2.8	1.5	5.3	3.2
Other	-	.8	-	-	-	.8
Total revenues	<u>139.5</u>	<u>138.4</u>	<u>46.6</u>	<u>45.8</u>	<u>186.1</u>	<u>184.2</u>
Expenses						
General government, administrative	22.1	34.4	-	-	22.1	34.4
Public Safety	62.6	60.0	-	-	62.6	60.0
Public Works	40.5	31.8	-	-	40.5	31.8
Recreation and Culture	6.2	7.9	-	-	6.2	7.9
Community Development	6.2	7.1	-	-	6.2	7.1
Interest on Long Term Debt	1.7	1.2	-	-	1.7	1.2
Sewage Disposal System	-	-	24.7	21.7	24.7	21.7
Municipal Parking System	-	-	10.2	18.4	10.2	18.4
Cemetery	-	-	.7	.8	.7	.8
Golf	-	-	1.4	1.4	1.4	1.4
Garbage and Refuse Collection	-	-	1.4	1.4	1.4	1.4
Recycling	-	-	2.8	3.0	2.8	3.0
Potter Park Zoo	-	-	3.0	2.7	3.0	2.7
Total expenses	<u>139.3</u>	<u>142.4</u>	<u>44.2</u>	<u>49.4</u>	<u>183.5</u>	<u>191.8</u>
Excess before transfers	.2	(4.0)	2.4	(3.6)	2.6	(7.6)
Transfers in (out)	(3.1)	(3.1)	3.1	3.1	-	-
Changes in net assets	(2.9)	(7.1)	5.5	(.5)	2.6	(7.6)
Beginning net assets as restated	<u>227.5</u>	<u>234.6</u>	<u>225.5</u>	<u>226.0</u>	<u>453.0</u>	<u>460.6</u>
Ending net assets	<u>\$ 224.6</u>	<u>\$ 227.5</u>	<u>\$ 231.0</u>	<u>\$ 225.5</u>	<u>\$ 455.6</u>	<u>\$ 453.0</u>

Governmental Activities:

The following chart depicts revenues of the governmental activities for the fiscal year:

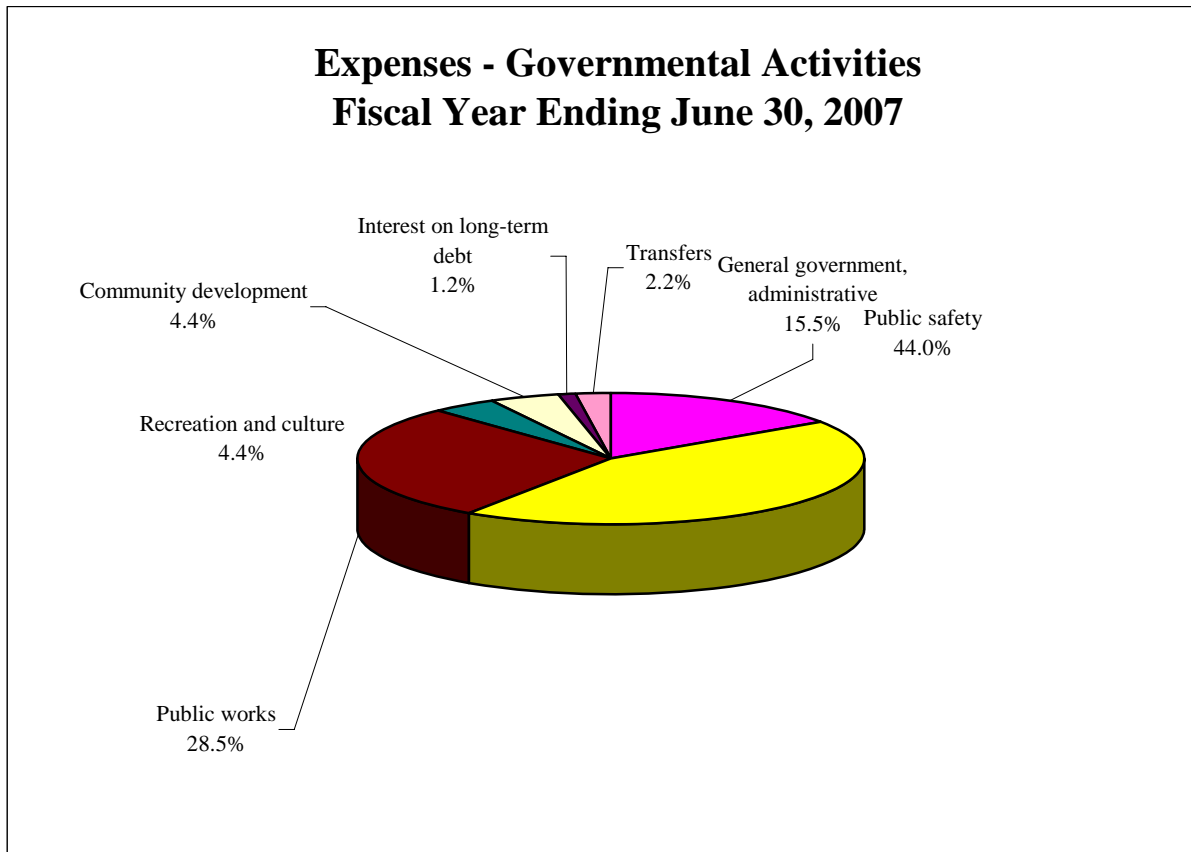


Property taxes comprised 27.5% of Governmental Activities revenue, with \$2,273,042 representing debt service on voted unlimited tax- general obligation debt. The City's operating millage is currently 14.95 mills. In accordance with Charter and State Constitutional provisions, the City may levy up to 19.1692 mills for operations in FY 2008.

Income taxes comprised 20.2% of Governmental Activities revenue which fully appears within the General Fund. Local income tax rates are prescribed by State law, and limited in Lansing's case to 1% of resident income and 0.5% of the income of persons working in the City, but living outside of its corporate boundaries.

State shared revenue is collected by the State of Michigan and distributed to local governments by formula allocation of portions of the State sales tax and motor fuel and weight taxes. FY 2007 receipts from the State of Michigan trended downward, due to declining sales tax collections and discretionary reductions in revenue sharing payments.

The following chart depicts expenses of the governmental activities for the fiscal year:



Business-type Activities

Net assets of the business-type activities increased by \$5.5 million during the fiscal year.

The Sewage Disposal System Fund net assets increased by \$4.5 million. This is primarily a result of funding for capital costs of the combined sewer separation project. Sewage system revenues are expected to increase by 4% per year over the next five years to continue this 30 year project.

Within nonmajor funds, Cemeteries, Golf, and Potter Park Zoo remain subsidized by the General Fund.

The City of Lansing is continuing its five year plan to eliminate the unrestricted net asset deficit in the Golf Fund.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

As the City completed the fiscal year, its governmental funds reported fund balances of \$44.7 million. Of this total amount, \$10.1 million, constitutes unreserved unrestricted fund balance, which is available for appropriation for the general purposes of the City. This includes \$5.7 million in the City's Budget Stabilization Fund and \$4.4 million in the General Fund. Further of the total amount of \$44.7 million, \$29.5 million constitutes unreserved fund balances but are restricted for the purposes of the funds they were set up for. The remainder of fund balance is reserved and is not available for new spending because it has already been reserved for specific purposes, including special assessments and encumbrances.

General Fund

The General Fund is the chief operating fund of the City. At the end of fiscal year 2007, the General Fund fund balance was \$6.9 million, including an unreserved fund balance of \$5.0 million and a reserved fund balance of \$1.9 million. The General Fund's total fund balance decreased \$194,035. Unreserved fund balance increased by \$401,168.

General Fund Budgetary Highlights:

Due to the combination of a partial hiring freeze and the following highlights, the FY 2007 budgeted use of reserves of \$1.6 million was not required.

Expenditures came in \$1.8 million less than originally budgeted spread over all departments.

Interest and rents revenue came in \$545,220 higher than originally budgeted due to a healthy investment market.

Sewage Disposal Fund

Net assets increased \$4.5 million to \$200.8 million in FY2007. This was attributable to an increase in capital assets, net of related debt increasing \$6.7 million for the City's continuing combined sewer overflow project.

Parking Fund

The Municipal Parking Fund had a decrease in capital assets net of related debt of \$1.2 million, mainly from depreciation of assets. Unrestricted net assets increased \$2.4 million, through lower operating costs, and increased revenues. Total net assets increased \$1.1 million from this transaction.

Budget Stabilization Fund

Fund balance at June 30, 2007 remained at \$5.7 million. The Fund is limited by Ordinance to 10% of year end General Fund appropriations.

Capital Assets

Capital Assets: At the end of the fiscal year 2007, the City had invested \$580.5 million, net of accumulated depreciation, in a broad range of capital assets (see the table below). Total depreciation charges for the fiscal year were \$24.7 million. Additional information regarding the City's capital assets can be found in the notes to the basic financial statements.

Capital Assets as of June 30, (net of depreciation, in millions of dollars)

	<i>Governmental Activities</i>		<i>Business-type Activities</i>		<i>Total Primary Government</i>	
	<i>2007</i>	<i>2006</i>	<i>2007</i>	<i>2006</i>	<i>2007</i>	<i>2006</i>
Land	\$ 24.6	\$ 24.6	\$ 13.9	\$ 13.9	\$ 38.5	\$ 38.5
Land improvements	4.2	4.5	14.5	13.3	18.7	17.8
Buildings and improvements	48.1	47.1	103.9	107.4	152.0	154.5
Equipment	8.2	7.2	.9	1.0	9.1	8.2
Sewers	-	-	183.7	141.8	183.7	141.8
Infrastructure	121.1	123.4	-	-	121.1	123.4
Subtotal	<u>206.2</u>	<u>206.8</u>	<u>316.9</u>	<u>277.4</u>	<u>523.1</u>	<u>484.2</u>
Construction in progress	<u>15.2</u>	<u>9.5</u>	<u>42.2</u>	<u>65.1</u>	<u>57.4</u>	<u>74.6</u>
Total	<u>\$ 221.4</u>	<u>\$ 216.3</u>	<u>\$ 359.1</u>	<u>\$ 342.5</u>	<u>\$ 580.5</u>	<u>\$ 558.8</u>

Infrastructure capital assets in governmental activity funds of \$13,179,571 were removed from service during the year. More detailed information regarding the City's capital assets is presented in Note 3-D (Capital Assets) to the financial statements.

Debt Administration

The City, along with the Lansing Building Authority (LBA), a blended component unit of the City, are empowered by law to authorize, issue, and sell debt obligations. Limited tax and unlimited tax general obligation bonds, are backed by the full faith and credit of the City. The City also issues revenue dedicated bonded debt, whose payment for principal and interest comes solely out of funds that receive legally restricted revenues. The Sewage Disposal fund has the only dedicated revenue bonds which are currently outstanding. LBA's bonds financed the construction of parking, golf course, and firing range improvements. Revenues derived from user fees from persons using parking and golf facilities fund the debt service requirements for related improvements, but they are also backed by a limited tax pledge. The General Fund pays for firing range related debt service. More detailed information regarding the City's long-term obligations is presented in Note 3-G (Long-Term Debt) to the financial statements.

***Outstanding Debt as of June 30,
(in millions of dollars)***

	<i>2007</i>	<i>2006</i>
<i>Governmental:</i>		
Special assessment bonds	\$0.01	\$0.03
General obligation bonds (backed by the City)	19.85	17.24
Installment purchase contracts	15.40	7.35
Loans	1.77	1.41
Sub-total	<u>37.03</u>	<u>26.03</u>
<i>Business Type:</i>		
General obligation bonds (backed by the City)	180.18	168.82
Revenue bonds and notes (backed by specific fee revenues)	43.95	47.91
Loans	4.18	4.18
Sub-total	<u>228.31</u>	<u>220.91</u>
<i>Total</i>	<u>\$265.34</u>	<u>\$246.94</u>

ECONOMIC CONDITION AND OUTLOOK

The State of Michigan's slow economic recovery, combined with rising labor force and healthcare costs, continues to place budgetary and fiscal constraints on the City of Lansing. A pick-up in income tax growth (net of a one-time adjustment), along with stable property tax growth, is tentatively positive sign; however, a structural imbalance between revenue and expenditure growth exists, as is the case for the majority of cities, especially those that are urban centers, in Michigan.

To address these budgetary challenges, since his inauguration in January, 2006, Mayor Bernero has implemented a budgetary strategy of maximizing revenues, reducing expenses, improving operational efficiencies, and investing in productivity-gaining measures and technologies, with an emphasis on protecting vital services to the public. The Mayor continues to work with Council and the unions to slow the rising cost of healthcare and other compensation issues. The FY 2008 budget does not require the use of reserves, and the Mayor has pledged to continue working with Council to eliminate any use of General Fund reserves for the FY 2009 budget.

CONTACTING THE CITY FINANCE DEPARTMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the money it receives. If you have any questions about this report or need additional financial information, contact the Finance Department at (517) 483-4500.

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

City of Lansing
Statement of Net Assets
June 30, 2007

	Primary Government			
	Governmental Activities	Business-type Activities	Totals	Component Units
Assets				
Cash and investments	\$ 29,354,948	\$ 28,946,336	\$ 58,301,284	\$ 1,649,471
Receivables, net	30,614,169	43,539,035	74,153,204	643,113
Internal balances	10,795,274	(10,795,274)	-	-
Inventories, prepaids and other assets	2,522,683	1,279,143	3,801,826	231,717
Restricted assets:				
Cash and investments	-	36,343,662	36,343,662	578,250
Receivables, net	-	492,332	492,332	-
Capital assets not being depreciated	39,749,950	56,061,238	95,811,188	-
Capital assets being depreciated, net	181,626,414	303,037,072	484,663,486	91,940
Total assets	294,663,438	458,903,544	753,566,982	3,194,491
Liabilities				
Accounts payable and accrued liabilities	15,695,482	7,990,619	23,686,101	1,314,208
Accrued interest payable	565,717	1,069,783	1,635,500	9,767,467
Unearned revenues	1,513,238	104,818	1,618,056	709,298
Long-term liabilities:				
Due within one year	12,910,638	15,404,534	28,315,172	2,757,617
Due in more than one year	39,409,134	203,305,990	242,715,124	29,941,838
Total liabilities	70,094,209	227,875,744	297,969,953	44,490,428
Net assets				
Invested in capital assets, net of related debt	184,150,439	166,320,408	350,470,847	24,661
Restricted for:				
Public safety	700,507	-	700,507	-
Public works	9,709,722	-	9,709,722	-
State mandated programs	6,464,817	-	6,464,817	-
Debt service	-	35,403,555	35,403,555	-
Capital projects	19,170,799	374,160	19,544,959	-
Endowments (non-expendable)	1,596,939	-	1,596,939	-
Unrestricted (deficit)	2,776,006	28,929,677	31,705,683	(41,320,598)
Total net assets (deficit)	\$ 224,569,229	\$ 231,027,800	\$ 455,597,029	\$ (41,295,937)

The accompanying notes are an integral part of the financial statements.

City of Lansing
Statement of Activities
For the Year Ended June 30, 2007

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary government					
Governmental activities:					
General government	\$ 22,043,283	\$ 6,251,032	\$ 17,323	\$ -	\$ (15,774,928)
Public safety	62,570,888	13,014,934	176,022	-	(49,379,932)
Public works	40,517,063	3,805,739	16,201,031	179,294	(20,330,999)
Recreation and culture	6,198,462	1,259,373	36,055	101,249	(4,801,785)
Community development	6,232,406	66,161	-	1,899,327	(4,266,918)
Interest on long-term debt	1,658,708	-	93,747	-	(1,564,961)
Total governmental activities	139,220,810	24,397,239	16,524,178	2,179,870	(96,119,523)
Business-type activities:					
Sewage disposal system	24,725,229	26,926,202	-	120,107	2,321,080
Municipal parking system	10,275,379	10,838,270	-	-	562,891
Cemetery	692,510	264,255	-	-	(428,255)
Golf	1,358,008	754,995	-	4,075	(598,938)
Garbage and rubbish collection	1,372,266	1,378,562	-	-	6,296
Recycling	2,777,068	2,903,092	-	-	126,024
Potter Park Zoo	2,968,236	553,999	-	58,830	(2,355,407)
Total business-type activities	44,168,696	43,619,375	-	183,012	(366,309)
Total primary government	\$ 183,389,506	\$ 68,016,614	\$ 16,524,178	\$ 2,362,882	\$ (96,485,832)
Component units					
Brownfield redevelopment	\$ 918,465	\$ -	\$ 218,858	\$ -	\$ (699,607)
Community development	3,710,315	-	-	-	(3,710,315)
Recreation and culture	5,850,479	4,878,651	1,188,445	-	216,617
Total component units	\$ 10,479,259	\$ 4,878,651	\$ 1,407,303	\$ -	\$ (4,193,305)

Continued...

City of Lansing
Statement of Activities (concluded)
For the Year Ended June 30, 2007

	Primary Government			Component
	Governmental	Business-type	Totals	Units
	Activities	Activities		
Changes in net assets				
Net (expense) revenue	\$ (96,119,523)	\$ (366,309)	\$ (96,485,832)	\$ (4,193,305)
General revenues				
Property taxes	38,371,105	-	38,371,105	5,501,733
Income taxes	28,209,913	-	28,209,913	-
Grants and contributions not restricted to specific programs	27,258,536	-	27,258,536	-
Unrestricted investment earnings	2,483,162	2,815,480	5,298,642	136,475
Gain on sale of capital assets	-	2,160	2,160	800
Transfers - internal activities	<u>(3,098,357)</u>	<u>3,098,357</u>	<u>-</u>	<u>-</u>
 Total general revenues and transfers	<u>93,224,359</u>	<u>5,915,997</u>	<u>99,140,356</u>	<u>5,639,008</u>
 Change in net assets	(2,895,164)	5,549,688	2,654,524	1,445,703
 Net assets (deficit), beginning of year	<u>227,464,393</u>	<u>225,478,112</u>	<u>452,942,505</u>	<u>(42,741,640)</u>
 Net assets (deficit), end of year	<u><u>\$ 224,569,229</u></u>	<u><u>\$ 231,027,800</u></u>	<u><u>\$ 455,597,029</u></u>	<u><u>\$ (41,295,937)</u></u>

The accompanying notes are an integral part of the financial statements.

FUND FINANCIAL STATEMENTS

Governmental Fund Financial Statements

Major Funds

General Fund – The General Fund is the general operating fund of the City. It is used to account for all financial resources except those required to be accounted for in another fund.

Nonmajor Funds

Non-major governmental funds are presented, by fund type, beginning on the pages listed below:

Special Revenue funds, page 68.

Debt Service funds, page 80.

Capital Projects funds, page 84.

Permanent funds, page 88.

City of Lansing
Balance Sheet - Governmental Funds
June 30, 2007

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
<u>Assets</u>			
Assets			
Cash and cash equivalents	\$ 2,415,442	\$ 6,414,263	\$ 8,829,705
Equity in pooled cash	-	17,228,135	17,228,135
Investments	-	1,540,000	1,540,000
Accounts receivable, net	9,883,441	2,788,774	12,672,215
Taxes receivable	3,970,867	-	3,970,867
Special assessments receivable	-	1,070,189	1,070,189
Loans receivable	-	1,407,060	1,407,060
Accrued interest receivable	-	1,761,353	1,761,353
Due from other funds	15,611,659	212,212	15,823,871
Interfund receivable	-	13,255,411	13,255,411
Advances to other funds	474,997	192,439	667,436
Due from other governments	5,148,771	4,350,792	9,499,563
Due from component units	232,478	-	232,478
Prepays	119,844	-	119,844
Inventories	1,092,229	-	1,092,229
Total assets	<u>\$ 38,949,728</u>	<u>\$ 50,220,628</u>	<u>\$ 89,170,356</u>
<u>Liabilities and Fund Balances</u>			
Liabilities			
Accounts payable	\$ 5,477,113	\$ 2,696,983	\$ 8,174,096
Deposits payable	-	205,339	205,339
Accrued payroll	1,649,411	302,772	1,952,183
Retainage payable	2,364,336	-	2,364,336
Indemnity bonds	-	10,890	10,890
Due to other funds	5,018,021	213,015	5,231,036
Interfund payable	14,681,304	3,107,156	17,788,460
Advance from other funds	-	474,997	474,997
Due to other governments	1,367,679	321,621	1,689,300
Deferred revenue	1,068,948	5,100,553	6,169,501
Other	438,766	-	438,766
Total liabilities	<u>32,065,578</u>	<u>12,433,326</u>	<u>44,498,904</u>
Fund balances			
Reserved for advances	474,997	192,439	667,436
Reserved for prepaids	119,844	-	119,844
Reserved for inventories	1,092,229	-	1,092,229
Reserved for encumbrances	160,951	2,284,094	2,445,045
Reserved for long-term receivables	-	67,806	67,806
Unreserved, designated for subsequent years' expenditures:			
General fund	614,993	-	614,993
Special revenue funds	-	6,976,602	6,976,602
Unreserved, reported in:			
General fund	4,421,136	-	4,421,136
Special revenue funds	-	7,546,544	7,546,544
Debt service funds	-	144,518	144,518
Capital projects funds	-	18,978,360	18,978,360
Permanent funds	-	1,596,939	1,596,939
Total fund balances	<u>6,884,150</u>	<u>37,787,302</u>	<u>44,671,452</u>
Total liabilities and fund balances	<u>\$ 38,949,728</u>	<u>\$ 50,220,628</u>	<u>\$ 89,170,356</u>

The accompanying notes are an integral part of the financial statements.

City of Lansing
Reconciliation of Fund Balances on the Balance Sheet
for Governmental Funds to Net Assets of
Governmental Activities on the Statement of Net Assets
June 30, 2007

Fund balances - total governmental funds	\$ 44,671,452
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Amounts reported for *governmental activities* in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

Add - capital assets	462,536,608
Deduct - accumulated depreciation	(248,700,455)

Because the focus of governmental funds is on short-term financing, some assets will not be available to pay for current expenditures. Those assets (i.e., receivables) are offset by deferred revenues in the governmental funds and, therefore, not included in fund balance.

Add - deferred ambulance fees	611,512
Add - deferred nuisance fees	457,436
Add - deferred loans receivable	1,207,060
Add - deferred long-term interest receivable	1,663,117
Add - deferred long-term special assessments	717,138

Internal service funds are used by management to charge the costs of certain equipment maintenance to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the statement of net assets.

	12,600,622
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Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.

Deduct - bonds, loans and leases payable	(35,930,925)
Deduct - accrued interest on bonds, loans and leases payable	(542,623)
Add - deferred bond issuance costs	67,344
Deduct - compensated absences and other long-term liabilities	(14,789,057)

Net assets of governmental activities	<u>\$ 224,569,229</u>
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The accompanying notes are an integral part of the financial statements.

City of Lansing
Statement of Revenues, Expenditures
and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2007

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Totals</u>
Revenues			
Taxes and special assessments	\$ 35,844,777	\$ 2,837,151	\$ 38,681,928
Income taxes	28,209,913	-	28,209,913
Licenses and permits	1,101,550	-	1,101,550
Intergovernmental	17,343,737	17,356,171	34,699,908
Charges for services	10,353,610	8,062,002	18,415,612
Fines and forfeits	3,912,695	436,947	4,349,642
Interest and rents	1,409,411	1,197,977	2,607,388
Contributions	9,966,354	14,500	9,980,854
Donations from private sources	-	114,954	114,954
Other revenues	220,817	798,659	1,019,476
	<u>108,362,864</u>	<u>30,818,361</u>	<u>139,181,225</u>
Expenditures			
Current expenditures:			
General government	26,313,988	2,591,071	28,905,059
Public safety	59,513,582	5,704,933	65,218,515
Highways and streets	5,022,833	8,478,914	13,501,747
Recreation and culture	7,610,688	65,912	7,676,600
Other functions	2,618,481	7,229,444	9,847,925
Debt service:			
Principal	748,115	3,127,794	3,875,909
Interest	219,737	1,015,227	1,234,964
Issuance costs	-	50,471	50,471
Capital outlay	-	20,001,659	20,001,659
	<u>102,047,424</u>	<u>48,265,425</u>	<u>150,312,849</u>
Revenues over (under) expenditures	<u>6,315,440</u>	<u>(17,447,064)</u>	<u>(11,131,624)</u>
Other financing sources (uses)			
Transfers in	618,000	6,290,259	6,908,259
Transfers out	(7,127,475)	(3,041,141)	(10,168,616)
Issuance of long-term debt	-	16,711,227	16,711,227
Bond premium	-	273,905	273,905
Payment to escrow agent	-	(1,795,055)	(1,795,055)
	<u>(6,509,475)</u>	<u>18,439,195</u>	<u>11,929,720</u>
Net change in fund balances	(194,035)	992,131	798,096
Fund balances, beginning of year	<u>7,078,185</u>	<u>36,795,171</u>	<u>43,873,356</u>
Fund balances, end of year	<u><u>\$ 6,884,150</u></u>	<u><u>\$ 37,787,302</u></u>	<u><u>\$ 44,671,452</u></u>

The accompanying notes are an integral part of the financial statements.

City of Lansing
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Fund Balances of Governmental Funds
to the Statement of Activities
For the Year Ended June 30, 2007

Net change in fund balances - total governmental funds \$ 798,096

Amounts reported for *governmental activities* in the statement of activities are different because:

Governmental funds report capital outlay as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.

Add - capital outlay	20,687,180
Deduct - depreciation expense	(12,775,918)
Deduct - loss on disposal of capital assets	(3,700,189)
Deduct - capital assets transferred to internal service funds	(1,861,442)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds, but rather are deferred to subsequent fiscal years.

Add - change in ambulance fees	331,308
Deduct - change in deferred special assessments	(131,529)

Internal service funds are used by management to charge the costs of certain equipment maintenance to individual funds. The net increase (decrease) in the net assets of the internal service funds is reported with governmental activities.

Add - net operating income from governmental activities in internal service funds	1,178,106
Add - gain on sale of capital assets from governmental internal service funds	88,605
Deduct - interest expense from governmental internal service funds	(74,038)
Add - capital contributions from governmental internal service funds	3,175,958
Add - transfers in governmental internal service funds	162,000

Debt proceeds provide current financial resources to governmental funds in the period issued, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the funds, but the repayment reduces long-term liabilities in the statement of net assets.

Deduct - issuance of long-term debt	(16,711,227)
Add - principal payments on long-term liabilities	3,875,909
Deduct - premium on bond issuances	(273,905)
Add - payments to bond escrow agent	1,795,055
Add - bond issuance costs	50,471

Certain expenditures are reported in governmental funds that reduce long-term liabilities for purposes of the statement of net assets.

Add - decrease in liability for workers' compensation	362,147
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the funds.

Deduct - increase in accrued interest payable on long-term liabilities	(348,392)
Deduct - amortization of debt-related costs	(1,314)
Add - decrease in the accrual for compensated absences	477,955

Change in net assets of governmental activities \$ (2,895,164)

The accompanying notes are an integral part of the financial statements.

City of Lansing
Statement of Revenues, Expenditures
and Changes in Fund Balances - Budget and Actual
General Fund
For the Year Ended June 30, 2007

	Budget			Variance with
	Original	Final	Actual	Final Budget
Revenues				
Property taxes	\$ 36,114,000	\$ 36,274,000	\$ 35,844,777	\$ (429,223)
Income taxes	29,651,800	28,051,800	28,209,913	158,113
Licenses and permits	1,073,020	1,049,910	1,101,550	51,640
Intergovernmental	17,750,823	17,412,823	17,343,737	(69,086)
Charges for services	10,115,771	9,995,381	10,353,610	358,229
Fines and forfeits	3,827,395	3,827,395	3,912,695	85,300
Interest and rents	864,191	1,464,191	1,409,411	(54,780)
Contributions	9,794,100	10,221,064	9,966,354	(254,710)
Other revenues	83,050	83,050	220,817	137,767
Total revenues	109,274,150	108,379,614	108,362,864	(16,750)
Expenditures				
General government:				
City clerk	918,991	960,205	959,492	713
Council	1,138,537	1,042,420	926,500	115,920
Courts	5,025,749	4,841,891	4,731,459	110,432
Finance	11,661,944	5,092,253	4,963,434	128,819
General administration	(837,562)	1,314,803	1,314,394	409
Law	1,361,550	1,330,175	1,298,292	31,883
Management services	-	6,067,289	5,946,719	120,570
Mayor	795,793	788,793	771,685	17,108
Personnel services	2,017,220	1,937,026	1,881,759	55,267
Planning / neighborhood development	4,003,646	3,761,229	3,520,254	240,975
Total general government	26,085,868	27,136,084	26,313,988	822,096
Public safety:				
Police	31,609,780	31,338,231	31,289,680	48,551
Fire	28,101,516	28,279,628	28,223,902	55,726
Total public safety	59,711,296	59,617,859	59,513,582	104,277
Highways and streets:				
Public service	5,724,804	5,497,409	5,022,833	474,576
Parks and recreation	8,309,249	8,018,239	7,610,688	407,551
Other functions:				
Human relations / community services	995,965	949,160	947,515	1,645
Human services / community support	1,684,600	1,760,750	1,670,966	89,784
Total other functions	2,680,565	2,709,910	2,618,481	91,429

Continued...

City of Lansing
Statement of Revenues, Expenditures
and Changes in Fund Balances - Budget and Actual (Concluded)
General Fund
For the Year Ended June 30, 2007

	Budget			Variance with
	Original	Final	Actual	Final Budget
Expenditures (concluded)				
Debt service:				
Principal	\$ 1,179,605	\$ 813,664	\$ 748,115	\$ 65,549
Interest and fees	197,345	234,840	219,737	15,103
Total debt service	<u>1,376,950</u>	<u>1,048,504</u>	<u>967,852</u>	<u>80,652</u>
 Total expenditures	<u>103,888,732</u>	<u>104,028,005</u>	<u>102,047,424</u>	<u>1,980,581</u>
 Revenues over expenditures	<u>5,385,418</u>	<u>4,351,609</u>	<u>6,315,440</u>	<u>1,963,831</u>
Other financing sources (uses)				
Transfers in	1,956,918	2,256,918	618,000	(1,638,918)
Transfers out	(7,412,936)	(7,180,690)	(7,127,475)	53,215
Proceeds on sale of capital assets	<u>70,600</u>	<u>70,600</u>	<u>-</u>	<u>(70,600)</u>
 Total other financing sources (uses)	<u>(5,385,418)</u>	<u>(4,853,172)</u>	<u>(6,509,475)</u>	<u>(1,656,303)</u>
 Net change in fund balance	-	(501,563)	(194,035)	307,528
 Fund balance, beginning of year	<u>7,078,185</u>	<u>7,078,185</u>	<u>7,078,185</u>	<u>-</u>
 Fund balance, end of year	<u><u>\$ 7,078,185</u></u>	<u><u>\$ 6,576,622</u></u>	<u><u>\$ 6,884,150</u></u>	<u><u>\$ 307,528</u></u>

The accompanying notes are an integral part of the financial statements.

Proprietary Fund Financial Statements

Major Funds

Sewage Disposal System Fund – This fund accounts for the provision of sewage disposal services to the residents of the City.

Municipal Parking System Fund – This fund accounts for the operation of City-owned parking facilities.

Non-Major Funds and Internal Service Funds

Non-major enterprise funds and internal service funds are presented, by fund type, beginning on the pages listed below:

Enterprise funds, page 90.

Internal Service funds, page 98.

City of Lansing
Statement of Net Assets
Proprietary Funds
June 30, 2007

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Sewage Disposal System	Municipal Parking System	Other Enterprise Funds	Totals	
Assets					
Current assets:					
Cash and cash equivalents	\$ 15,107,749	\$ 2,644,698	\$ 55,197	\$ 17,807,644	\$ -
Equity in pooled cash	100,636	9,660,241	1,744,950	11,505,827	1,213,736
Receivables:					
Accounts, net	17,896,566	1,489,020	219,112	19,604,698	444
Accrued interest	50,130	352,335	-	402,465	-
Lease receivable, current	-	2,492,769	-	2,492,769	-
Inventories	239,506	-	86,098	325,604	672,179
Prepays	-	4,241	-	4,241	565,420
Due from other funds	5,008,018	-	-	5,008,018	10,000
Interfund receivable	-	-	-	-	4,900,184
Restricted assets:					
Cash and cash equivalents	36,072,779	270,883	-	36,343,662	-
Accounts receivable	-	374,160	-	374,160	-
Accrued interest receivable	117,125	1,047	-	118,172	-
Total current assets	<u>74,592,509</u>	<u>17,289,394</u>	<u>2,105,357</u>	<u>93,987,260</u>	<u>7,361,963</u>
Noncurrent assets:					
Lease receivable	-	21,039,103	-	21,039,103	-
Bond issue costs	477,499	471,799	-	949,298	5,667
Capital assets, net	<u>307,250,882</u>	<u>41,775,976</u>	<u>10,071,452</u>	<u>359,098,310</u>	<u>7,540,211</u>
Total non-current assets	<u>307,728,381</u>	<u>63,286,878</u>	<u>10,071,452</u>	<u>381,086,711</u>	<u>7,545,878</u>
Total assets	<u>382,320,890</u>	<u>80,576,272</u>	<u>12,176,809</u>	<u>475,073,971</u>	<u>14,907,841</u>
Liabilities					
Current liabilities:					
Accounts payable	7,168,335	115,781	92,966	7,377,082	106,834
Deposits payable	-	47,795	-	47,795	-
Accrued interest payable	889,970	168,309	11,504	1,069,783	23,094
Accrued payroll	172,004	67,835	200,814	440,653	121,575
Other	-	-	-	-	582,312
Due to other funds	15,610,204	649	-	15,610,853	-
Interfund payable	-	-	367,135	367,135	-
Advances from other funds	-	192,439	-	192,439	-
Due to other governments	125,089	-	-	125,089	-
Unearned revenues	-	-	104,818	104,818	-
Current portion of:					
Long-term debt	9,110,000	5,559,472	65,000	14,734,472	125,000
Compensated absences	321,360	93,086	255,616	670,062	114,340
Total current liabilities	<u>33,396,962</u>	<u>6,245,366</u>	<u>1,097,853</u>	<u>40,740,181</u>	<u>1,073,155</u>
Noncurrent liabilities:					
Long-term debt	147,901,601	54,209,417	765,917	202,876,935	1,170,000
Compensated absences	245,100	56,773	127,182	429,055	64,064
Total non-current liabilities	<u>148,146,701</u>	<u>54,266,190</u>	<u>893,099</u>	<u>203,305,990</u>	<u>1,234,064</u>
Total liabilities	<u>181,543,663</u>	<u>60,511,556</u>	<u>1,990,952</u>	<u>244,046,171</u>	<u>2,307,219</u>
Net assets					
Invested in capital assets, net of related debt	150,716,780	6,363,093	9,240,535	166,320,408	6,245,211
Restricted for debt retirement	35,299,934	103,621	-	35,403,555	-
Restricted for capital projects	-	374,160	-	374,160	-
Unrestricted	<u>14,760,513</u>	<u>13,223,842</u>	<u>945,322</u>	<u>28,929,677</u>	<u>6,355,411</u>
Total net assets	<u>\$ 200,777,227</u>	<u>\$ 20,064,716</u>	<u>\$ 10,185,857</u>	<u>\$ 231,027,800</u>	<u>\$ 12,600,622</u>

The accompanying notes are an integral part of the financial statements.

City of Lansing
Statement of Revenues, Expenses
and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2007

	Business-type Activities - Enterprise Funds				Governmental
	Sewage Disposal System	Municipal Parking System	Other Enterprise Funds	Totals	Activities - Internal Service Funds
Operating revenues					
Charges for services	\$ 26,890,119	\$ 9,061,935	\$ 5,854,903	\$ 41,806,957	\$ 58,068,589
Operating expenses					
Personal services	6,268,300	2,433,498	4,872,403	13,574,201	5,106,348
Purchase of goods and services	7,233,988	1,641,896	3,680,257	12,556,141	50,145,818
Depreciation	7,441,441	2,315,526	567,580	10,324,547	1,638,317
Total operating expenses	20,943,729	6,390,920	9,120,240	36,454,889	56,890,483
Operating income (loss)	5,946,390	2,671,015	(3,265,337)	5,352,068	1,178,106
Nonoperating revenues (expenses)					
Interest revenue	2,234,643	547,723	33,114	2,815,480	-
Gain on sale of capital assets	-	2,160	-	2,160	88,605
Interest expense and fees	(3,781,500)	(3,884,459)	(47,848)	(7,713,807)	(74,038)
Other revenue	36,083	1,776,335	-	1,812,418	-
Total nonoperating expenses	(1,510,774)	(1,558,241)	(14,734)	(3,083,749)	14,567
Income (loss) before contributions and transfers	4,435,616	1,112,774	(3,280,071)	2,268,319	1,192,673
Capital contributions	120,107	-	62,905	183,012	3,175,958
Transfers in	248,117	-	3,170,029	3,418,146	162,000
Transfers out	(300,000)	-	(19,789)	(319,789)	-
Change in net assets	4,503,840	1,112,774	(66,926)	5,549,688	4,530,631
Net assets, beginning of year	196,273,387	18,951,942	10,252,783	225,478,112	8,069,991
Net assets, end of year	\$ 200,777,227	\$ 20,064,716	\$ 10,185,857	\$ 231,027,800	\$ 12,600,622

The accompanying notes are an integral part of the financial statements.

City of Lansing
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2007

	Business-type Activities - Enterprise Funds				Governmental Activities - Internal Service Funds
	Sewage Disposal System	Municipal Parking System	Other Enterprise Funds	Totals	
Cash flows from operating activities					
Cash received from customers	\$ 23,820,913	\$ 8,239,381	\$ 5,856,468	\$ 37,916,762	\$ -
Cash received from interfund services	-	-	-	-	52,341,292
Cash payments for goods and services	(3,532,866)	(1,549,919)	(3,767,536)	(8,850,321)	(49,629,481)
Cash payments to employees	(6,252,991)	(2,434,269)	(4,821,742)	(13,509,002)	(3,133,747)
Other receipts	36,083	1,776,335	-	1,812,418	-
Net cash provided by (used for) operating activities	14,071,139	6,031,528	(2,732,810)	17,369,857	(421,936)
Cash flows from noncapital financing activities					
Transfers in	248,117	-	3,170,029	3,418,146	162,000
Transfers out	(300,000)	-	(19,789)	(319,789)	-
Net cash provided by (used for) noncapital financing activities	(51,883)	-	3,150,240	3,098,357	162,000
Cash flows from capital and related financing activities					
Proceeds from sale of capital assets	-	2,160	-	2,160	95,052
Acquisition and construction of capital assets	(26,418,562)	(388,290)	(75,367)	(26,882,219)	(4,382,249)
Capital contributions received	120,107	-	62,905	183,012	3,175,958
Principal paid on revenue and general obligation bonds	(9,510,000)	(12,725,000)	(60,000)	(22,295,000)	(115,000)
Interest paid on revenue and general obligation bonds	(3,708,217)	(2,155,665)	(47,065)	(5,910,947)	(73,384)
Proceeds from issuance of long-term debt	21,733,410	7,965,000	-	29,698,410	-
Payments received on capital lease	-	2,329,691	-	2,329,691	-
Net cash provided used for capital and related financing activities	(17,783,262)	(4,972,104)	(119,527)	(22,874,893)	(1,299,623)
Cash flows from investing activities					
Interest and dividends	2,234,643	547,723	33,114	2,815,480	-
Net increase (decrease) in cash and cash equivalents	(1,529,363)	1,607,147	331,017	408,801	(1,559,559)
Cash and cash equivalents, beginning of year	52,810,527	10,968,675	1,469,130	65,248,332	2,773,295
Cash and cash equivalents, end of year	\$ 51,281,164	\$ 12,575,822	\$ 1,800,147	\$ 65,657,133	\$ 1,213,736
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities					
Operating income (loss)	\$ 5,946,390	\$ 2,671,015	\$ (3,265,337)	\$ 5,352,068	\$ 1,178,106
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities					
Depreciation expense	7,441,441	2,315,526	567,580	10,324,547	1,638,317
Other receipts	36,083	1,776,335	-	1,812,418	-
Change in:					
Accounts receivable	(14,927,421)	(847,827)	1,565	(15,773,683)	700,631
Accrued interest receivable	104,534	25,273	-	129,807	-
Inventories	2,743	-	10,225	12,968	(400,383)
Prepays	-	(4,241)	-	(4,241)	(16,185)
Due from other funds	(613,800)	-	-	(613,800)	-
Interfund receivable	-	-	-	-	(3,621,875)
Accounts payable	4,391,475	41,492	(42,173)	4,390,794	71,282
Deposits payable	-	13,040	-	13,040	-
Accrued interest payable	(15,108)	31,363	(750)	15,505	(2,051)
Accrued payroll	15,309	(771)	50,661	65,199	84,623
Other	-	-	-	-	(114,438)
Due to other funds	11,753,681	174	-	11,753,855	-
Interfund payable	-	-	(59,444)	(59,444)	-
Advances from other funds	-	-	-	-	-
Unearned revenues	-	-	4,302	4,302	-
Compensated absences	(64,188)	10,149	561	(53,478)	60,037
Total adjustments	8,124,749	3,360,513	532,527	12,017,789	(1,600,042)
Net cash provided by (used for) operating activities	\$ 14,071,139	\$ 6,031,528	\$ (2,732,810)	\$ 17,369,857	\$ (421,936)

The accompanying notes are an integral part of the financial statements.

Fiduciary Fund Financial Statements

Pension (and Other Post Employment Benefits) Trust Funds – Employee Pension Trust funds accept payments made by the City, invest fund resources, and calculate and pay pensions to beneficiaries.

Combining schedules for fiduciary funds are presented in the notes to the financial statements.

Agency Funds – These funds account for resources held in a trustee or agent capacity for the 54-A District Court.

Combining statements for agency funds are presented, by fund type, beginning on page 102.

City of Lansing
Statement of Fiduciary Net Assets
Fiduciary Funds
June 30, 2007

	Pension Trust Funds	Agency Funds
Assets		
Cash and cash equivalents	\$ 7,332,979	\$ -
Equity in pooled cash	-	176,549
Investments:		
U. S. Government obligations	91,363,065	-
Corporate bonds	1,335,615	-
Common stocks	51,652,641	-
Mutual funds	382,134,763	-
Contribution receivable	2,336,354	-
Dividends and interest receivable	703,875	-
	<hr/>	<hr/>
Total assets	536,859,292	\$ 176,549
	<hr/>	<hr/>
Liabilities		
Accounts payable	2,020,015	\$ -
Undistributed receipts	-	176,549
	<hr/>	<hr/>
Total liabilities	2,020,015	\$ 176,549
	<hr/>	<hr/>
Net assets held in trust for:		
Pension benefits	505,324,954	
Other postemployment benefits	29,514,323	
	<hr/>	
Total net assets	<u>\$ 534,839,277</u>	

The accompanying notes are an integral part of the financial statements.

City of Lansing
Statement of Changes in Fiduciary Net Assets
Pension Trust Funds
For the Year Ended June 30, 2007

Additions

Investment income:	
Net appreciation in fair value of investments	\$ 44,956,587
Interest income	27,779,660
Dividend income	654,021
Less investment expenses	<u>(1,664,444)</u>
Net investment income	<u>71,725,824</u>
Contributions:	
Employer	13,906,772
Plan members	<u>4,105,162</u>
Total contributions	<u>18,011,934</u>
Total additions	<u>89,737,758</u>

Deductions

Participant benefits	37,600,636
Administrative expense	<u>49,891</u>
Total deductions	<u>37,650,527</u>

Net additions to net assets held in trust 52,087,231

Net assets held in trust for pension benefits:

Beginning of year	<u>482,752,046</u>
End of year	<u><u>\$ 534,839,277</u></u>

The accompanying notes are an integral part of the financial statements.

**COMPONENT UNITS
FINANCIAL STATEMENTS**

Discretely Presented Component Units

Discretely presented component units are entities that are legally separate from the City but for which the City is financially accountable, or their relationship with the City is such that exclusion would cause the City's financial statements to be misleading or incomplete. The City has three discretely presented component units:

- Brownfield Redevelopment Authority
- Tax Increment Finance Authority
- Lansing Entertainment and Public Facilities Authority

Complete financial statements for each of the individual component units may be obtained from the entity's administrative offices.

City of Lansing
Combining Statement of Net Assets
Component Units
June 30, 2007

	Brownfield Redevelopment Authority	Tax Increment Finance Authority	Lansing Entertainment & Public Facilities Authority	Totals
Assets				
Cash and cash equivalents	\$ 556,479	\$ 541,903	\$ 551,089	\$ 1,649,471
Receivables, net	36,000	-	607,113	643,113
Inventories, prepaids and other assets	61,138	41,088	129,491	231,717
Restricted assets:				
Cash and cash equivalents	-	-	578,250	578,250
Capital assets being depreciated, net	-	-	91,940	91,940
Total assets	<u>653,617</u>	<u>582,991</u>	<u>1,957,883</u>	<u>3,194,491</u>
Liabilities				
Accounts payable and accrued liabilities	160,794	507,233	646,181	1,314,208
Accrued interest payable	34,858	9,732,609	-	9,767,467
Unearned revenues	469	-	708,829	709,298
Long-term liabilities:				
Due within one year	165,000	2,578,305	14,312	2,757,617
Due in more than one year	<u>2,060,000</u>	<u>27,828,871</u>	<u>52,967</u>	<u>29,941,838</u>
Total liabilities	<u>2,421,121</u>	<u>40,647,018</u>	<u>1,422,289</u>	<u>44,490,428</u>
Net assets				
Invested in capital assets, net of related debt	-	-	24,661	24,661
Unrestricted (deficit)	<u>(1,767,504)</u>	<u>(40,064,027)</u>	<u>510,933</u>	<u>(41,320,598)</u>
Total net assets (deficit)	<u><u>\$ (1,767,504)</u></u>	<u><u>\$(40,064,027)</u></u>	<u><u>\$ 535,594</u></u>	<u><u>\$ (41,295,937)</u></u>

The accompanying notes are an integral part of the financial statements.

City of Lansing
Combining Statement of Activities
Component Units
For the Year Ended June 30, 2007

	Brownfield Redevelopment Authority	Tax Increment Finance Authority	Lansing Entertainment & Public Facilities Authority	Totals
Expenses				
Brownfield redevelopment	\$ 918,465	\$ -	\$ -	\$ 918,465
Community development	-	3,710,315	-	3,710,315
Recreation and culture	-	-	5,850,479	5,850,479
Total expenses	918,465	3,710,315	5,850,479	10,479,259
Program revenues				
Charges for services	-	-	4,878,651	4,878,651
Operating grants and contributions	218,858	-	1,188,445	1,407,303
Total program revenues	218,858	-	6,067,096	6,285,954
Net program expense	(699,607)	(3,710,315)	216,617	(4,193,305)
General revenues				
Property taxes	781,192	4,720,541	-	5,501,733
Unrestricted investment earnings	17,889	101,671	16,915	136,475
Gain on sale of capital assets	-	-	800	800
Total general revenues	799,081	4,822,212	17,715	5,639,008
Change in net assets	99,474	1,111,897	234,332	1,445,703
Net assets (deficit), beginning of year	(1,866,978)	(41,175,924)	301,262	(42,741,640)
Net assets (deficit), end of year	\$ (1,767,504)	\$ (40,064,027)	\$ 535,594	\$(41,295,937)

The accompanying notes are an integral part of the financial statements.

NOTES to the FINANCIAL STATEMENTS

City of Lansing, Michigan

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CITY OF LANSING, MICHIGAN

Notes To Financial Statements

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

1-A. Reporting Entity

The City of Lansing (the “City”) was incorporated in 1859. In 1909, the City came under the provisions of Act 279, P.A. 1909, as amended (“Home Rule City Act”). The City operates under a strong Mayor form of government in which the Mayor is responsible for implementation and administration of City policy as established by City Council.

The accounting and reporting policies of the City conform in all material respects to generally accepted accounting principles (GAAP) as applicable to governments. The Governmental Accounting Standards Board (GASB) is the standard setting body for establishing governmental accounting and financial reporting principles, which are primarily set forth in the GASB’s Codification of Governmental Accounting and Financial Reporting Standards (GASB Codification). Following is a summary of the significant policies:

As required by generally accepted accounting principles, these financial statements present the City and its component units, entities for which the City is considered to be financially accountable. The financial data of the component units are included in the City’s reporting entity because of the significance of their operational or financial relationships with the City.

- (1) **Blended Component Units:** A blended component unit is a legally separate entity from the City but is so intertwined with the City that it is, in substance, the same as the City. It is reported as part of the City and its financial data is combined with data of the appropriate funds. The City has one blended component unit, the Building Authority with a fiscal June 30 year-end. This component unit provides services primarily to benefit the City. The blended unit is described as follows:
 - (a) **Building Authority (the “Authority”):** The Authority was established by the City under Act 31, Michigan Public Acts of 1948. The Mayor, with the advice and consent of City Council, appoints the Authority’s governing body and designates management. The Authority uses the proceeds of its tax-exempt bonds to finance the construction or acquisition of capital assets for the City only. The bonds are secured by lease agreements with the City and will be retired through lease payments from the City. The financial activity, assets, liabilities and equity of the Authority are incorporated within the City’s Municipal Parking System and Golf enterprise funds, and the 1998 Building Authority Debt Service Fund.
- (2) **Discretely Presented Component Units:** Discretely presented component units are entities that are legally separate from the City but for which the City is financially accountable, or their relationship with the City is such that exclusion would cause the City’s financial statements to be misleading or incomplete. The City has three discretely presented component units, the Brownfield Redevelopment Authority, the Tax Increment Financing Authority and the Lansing Entertainment and Public Facilities Authority, each with a fiscal June 30 year-end. The discretely presented component units are as follows:

CITY OF LANSING, MICHIGAN

Notes To Financial Statements

- (a) **Brownfield Redevelopment Authority:** The Authority was established by the City on August 17, 1997, under the authority contained in Act 381, Michigan Public Acts of 1996 (the Act). The Act authorizes the City to establish and to designate the boundaries of a Brownfield redevelopment zone. The Authority is appointed by City Council to preside over such a zone, and it is authorized to promote the revitalization of environmentally distressed areas within the City of Lansing. The Act allows the Authority to participate in a broad range of improvement activities intended to encourage the reuse of industrial and commercial property by offering economic incentives for redevelopment to prevent property value deterioration. Tax increment financing plans must be approved by the City.

Tax increment financing permits the Authority to capture tax revenues which are attributable to increases in the value of real and personal property located within an approved project area. Current activities of the Authority include collections of property tax revenues on project areas for the Rite Aid Pharmacy and the former Motor Wheel Site Plant.

- (b) **Tax Increment Finance Authority (“TIFA”):** The TIFA was established by the City under the authority contained in Act 450, Michigan Public Acts of 1981. The Act authorizes the City to designate specific districts within its corporate limits as TIFA districts. The TIFA presides over such districts, formulating plans for public improvements, economic development, neighborhood revitalization, and historic preservation within the districts. The Act allows the TIFA to participate in a broad range of improvement activities intended to contribute to economic growth and prevent property value deterioration. The TIFA’s governing body is appointed by the Mayor with the advice and consent of the City Council. Bond issuances, to fund the above activities, are approved by the City Council and the legal liability for the debt remains with the City.
- (c) **Lansing Entertainment and Public Facilities Authority (“LEPFA”):** LEPFA was established under the charter of the City of Lansing in February 1996, replacing the former Greater Lansing Convention/Exhibition Authority, which had been responsible for operating and managing the Lansing Center and the Lansing Civic Arena (the latter through the fiscal year ended June 30, 1995). LEPFA was established to oversee the management and operations of the Lansing Center, the City Market and the Oldsmobile Park stadium.

The Authority is chartered as a building authority under the provisions of Act 31, Public Acts of Michigan, 1948. In the event of dissolution or termination of the Authority, all assets and rights of the Authority shall revert to the City. The Authority's Board of Commissioners consists of thirteen members appointed by the Mayor of the City of Lansing and approved by the City Council.

CITY OF LANSING, MICHIGAN

Notes To Financial Statements

Component Unit Financial Statements: Complete financial statements for each of the individual component units may be obtained from the entity's administrative offices.

City of Lansing Building Authority
8th Floor
124 West Michigan Avenue
Lansing, Michigan 48933

Brownfield Redevelopment Authority
401 S. Washington Square, Suite 100
Lansing, Michigan 48933

Tax Increment Finance Authority
401 S. Washington Square, Suite 100
Lansing, Michigan 48933

Lansing Entertainment and Public Facility Authority
333 East Michigan Avenue
Lansing, Michigan 48933

1-B. Basis of Presentation

Government-wide Financial Statements. The statements of net assets and activities display information about the primary government (the City) and its component units. These statements include the financial activities of the overall government, except for fiduciary activities. Eliminations have been made to minimize the double-counting of internal activities. These statements distinguish between the City's *governmental* and *business-type activities*. Governmental activities generally are financed through taxes, intergovernmental revenues and other nonexchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the City and for each function of the City's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees, fines and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements. The fund financial statements provide information about the City's funds, including its fiduciary funds and blended component unit. Separate statements for each fund category – *governmental*, *proprietary* and *fiduciary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as nonmajor funds.

CITY OF LANSING, MICHIGAN

Notes To Financial Statements

The City reports the following major governmental fund:

General fund. This fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The City reports the following major enterprise funds:

Sewage Disposal System Fund. This fund accounts for the provision of sewage disposal services to the residents of the City.

Municipal Parking System Fund. This fund accounts for the operating of City-owned parking facilities.

Additionally, the City reports the following fund types:

Special revenue funds. These funds account for revenue sources that are legally restricted to expenditures for specific purposes not including major capital projects.

Debt service funds. These funds account for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

Capital projects funds. These funds account for the acquisition of capital assets or construction of major capital projects not being financed by proprietary funds.

Permanent funds. These funds account for resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the government's programs.

Enterprise funds. These funds account for those operations that are financed and operated in a manner similar to private business or where the City has decided that the determination of revenues earned, costs incurred and/or net income is necessary for management accountability.

Internal service funds. These funds account for operations that provide services to other departments or agencies of the City, or to other governments, on a cost-reimbursement basis. This includes operating a maintenance facility for trucks and equipment used by the Public Service Department, and health care self-insurance services.

Pension Trust Funds – These funds account for the accumulation of resources to be used for retirement annuity payments to eligible full-time employees of the City, certain healthcare costs, and other retirement distributions.

Agency Funds – These funds account for resources held in a trustee or agent capacity for the 54-A District Court.

CITY OF LANSING, MICHIGAN

Notes To Financial Statements

1-C. Measurement Focus / Basis of Accounting

Government-wide, Proprietary and Fiduciary Fund Financial Statements. The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, except for agency funds, which do not have a measurement focus. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Nonoperating revenues, such as subsidies and investment earnings, result from nonexchange transactions or ancillary activities.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise and internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The City considers all revenues reported in the governmental funds to be available if they are collected within three months after year-end, except for income taxes that use a 45-day collection period, property taxes that use a 60-day collection period, and reimbursement-based grants that use one year. Property taxes, income taxes, franchise taxes, licenses and interest are considered to be susceptible to accrual.

Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, compensated absences, and claims and judgments, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases, if any, are reported as other financing sources.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues, subject to satisfying any grant program matching provisions.

CITY OF LANSING, MICHIGAN

Notes To Financial Statements

All governmental and business-type activities and enterprise funds of the City follow private-sector standards of accounting and financial reported issued prior to December 1, 1989, unless those standards conflict with guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

1-D. Assets, Liabilities and Equity

Deposits and Investments

The City maintains an investment pool for all City funds. Each fund's portion of the investment pool is displayed on the statement of net assets/balance sheet as "equity in pooled cash." The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the government to deposit in the accounts of federally insured banks, credit unions, and savings and loan associations, and to invest in obligations of the U.S. Treasury, certain commercial paper, repurchase agreements, bankers acceptances, and mutual funds composed of otherwise legal investments.

Investments are stated at fair value. Short-term investments are reported at cost, which approximates fair value. Securities traded on a national or international exchange are valued at the last reported sales price at current exchange rates. Mortgages are valued on the basis of future principal and interest payments, and are discounted at prevailing interest rates for similar instruments. Investments that do not have established market values are reported at estimated fair value. Cash deposits are reported at carrying amounts, which reasonably approximates fair value.

Unrealized appreciation or depreciation on pension trust fund investments due to changes in fair value are recognized each year.

Receivables and Payables

All trade and delinquent property tax receivables are shown net of an allowance for uncollectibles, as applicable.

Certain notes receivable in governmental funds consist of rehabilitation and redevelopment loans that are generally not expected or scheduled to be collected in the subsequent year.

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either *interfund receivables/payables* (i.e., the current portion of interfund loans) or *advances to/from other funds* (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as *due to/from other funds*. Any residual balances outstanding between the governmental and business-type activities are reported in the government-wide financial statements as *internal balances*.

CITY OF LANSING, MICHIGAN

Notes To Financial Statements

Inventories, Prepaid Items and Other Assets

All inventories are valued at cost using the first-in/first-out method. Inventories of governmental funds are recorded as expenditures when consumed.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items acquired or constructed since June 30, 1980), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets that are used for governmental activities are only reported in the government-wide statements. Infrastructure (“public domain”) assets, including roads, bridges, sanitary sewers, drains, curbs, and gutters are capitalized. With this measurement focus, all assets and liabilities (whether current or noncurrent) associated with the operations of these funds are included on the government-wide statement of net assets.

All land and non-depreciable land improvements are capitalized, regardless of cost. Equipment and vehicles are capitalized when the cost of individual items exceed \$5,000. The road and sewer networks are all capitalized regardless of cost. Buildings are capitalized over \$100,000, and the recreational facilities’ thresholds range from \$25,000 to \$50,000.

Capital assets of the primary government are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	20-50
Improvements	8-50
Equipment	3-15
Sanitary sewers	50
Infrastructure	10-75

Compensated Absences

It is the government’s policy to permit employees to accumulate earned but unused vacation and compensatory time benefits, subject to certain limitations. Certain bargaining unit employees are also permitted to accumulate earned but unused sick leave. All vacation and compensatory time pay and 50 percent of sick leave are accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations or retirements.

CITY OF LANSING, MICHIGAN

Notes To Financial Statements

Long-term Obligations

In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Fund Equity

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for a specific purpose. Fund balance designations represent tentative management plans that are subject to change.

NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

2-A. Budgetary Information

The City follows these procedures in establishing the budgetary data reflected in the financial statements:

- On or before the fourth Monday in March, the Mayor submits to the City Council a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
- A public hearing on the proposed use of funds is held by the Mayor, and a public hearing on the annual appropriations as proposed by the City Council is held no later than one week prior to adoption of the annual appropriation measure.
- Not later than the third Monday in May, the Council adopts a budget for the ensuing fiscal year, makes an appropriation of the money needed therefore, and sets the property tax rate necessary to support the appropriations measure.

CITY OF LANSING, MICHIGAN

Notes To Financial Statements

- The appropriated budget is prepared by fund, department and the mandatory expenditure accounts as established by the State of Michigan's Uniform Chart of Accounts. The legal level of budgetary control is the mandatory expenditure accounts level. The mandatory accounts are personal services, supplies and operating expense, capital outlay, debt service, transfers and contingency. Transfers of appropriations between the mandatory accounts require the approval of the City Council. However, the Mayor may authorize budget transfers between mandatory accounts in a department, but the additional amount may not exceed fifteen (15%) of the Council's appropriation being added to, or five thousand dollars (\$5,000), whichever is less. Budget-to-actual schedules that demonstrate compliance at the legal level of budgetary control are not included herein as it would be impractical due to the high level of detail that would be needed. Such schedules are included in the City's separately issued Budget Report. Copies of the report may be obtained from the Finance Department, 124 West Michigan Avenue, Lansing, Michigan 48933.
- The City formally adopts operating budgets for the General Fund and all Special Revenue Funds.
- Budgetary integration is employed as a management control device during the year for all budgeted funds. Except for the General Fund, these budgets are adopted on a basis consistent with generally accepted accounting principles ("GAAP"). In the General Fund, capital lease payments / installment payments are budgeted, but capital lease acquisitions are not.
- Appropriations lapse at year-end for all annual budgets. Appropriations are automatically carried forward for project-type budgets.

Encumbrance accounting is employed in governmental funds. Encumbrances (e.g., purchase orders or contracts) outstanding at year end are reported as reservations of fund balances and do not constitute expenditures or liabilities because the commitments will be reappropriated and honored during the subsequent year.

2-B. Deficit Fund Balance/Net Assets

The Special Assessments capital projects funds has a deficit fund balance of \$139,463. This deficit is the result of a long-term advance from the general fund that was used to provide the working capital for the fund in prior years. As special assessments are collected, this deficit will be eliminated, and the advance repaid.

The Golf Enterprise Fund has a deficit in its unrestricted net assets of \$431,171. Total net assets amount to \$2,023,771.

CITY OF LANSING, MICHIGAN

Notes To Financial Statements

NOTE 3 – DETAILED NOTES ON ALL FUNDS

3-A. Deposits and Investments

Following is a reconciliation of deposit and investment balances (including both pooled cash and investments as well as pension trust fund balances; see Note 3-B) as of June 30, 2007:

Statement of Net Assets

Cash and investments	\$ 58,301,284
Restricted cash and investments	36,343,662

Statement of Fiduciary Net Assets

Pension trust funds:	
Cash and cash equivalents	7,332,979
Investments	526,486,084
Agency fund:	
Equity in pooled cash	<u>176,549</u>

Total	<u>\$ 628,640,558</u>
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Deposits and Investments:

Bank deposits:	
Checking/savings accounts	\$ 7,735,988
Certificates of deposit (due within one year)	35,609,776
Investments in securities and mutual funds:	
Pooled investments	51,311,563
Pension investments	533,819,063
Cash on hand	<u>164,168</u>

Total	<u>\$ 628,640,558</u>
--------------	------------------------------

The City chooses to disclose its pooled investments by specifically identifying each. As of year end, the City had the following pooled investments.

	Carrying Amount (Fair Value)	<u>Credit Rating</u>
Mutual and cash management funds (uncategorized as to risk)	<u>\$ 51,311,563</u>	-n/a-

Interest Rate Risk. State law limits the allowable investments and the maturities of some of the allowable investments as identified in the summary of significant accounting policies. The City's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

CITY OF LANSING, MICHIGAN

Notes To Financial Statements

Credit Risk. State law limits investments to specific government securities, certificates of deposit and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments in the summary of significant accounting policies. The City's investment policy does not have specific limits in excess of state law on investment credit risk. Credit risk ratings, where applicable, have been identified above for the City's investments.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned. State law does not require and the City does not have a policy for deposit custodial credit risk. As of year end, \$35,833,653 of the City's bank balance of \$36,763,126 was exposed to custodial credit risk because it was uninsured and uncollateralized.

The City's investment policy does not specifically address this risk, although the City believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the City evaluates each financial institution with which it deposits City funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

Custodial Credit Risk – Investments. For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require and the City does not have a policy for investment custodial credit risk. On the investments listed above, there is no custodial credit risk, as these investments are uncategorized as to credit risk.

Concentration of Credit Risk. State law limits allowable investments but does not limit concentration of credit risk as identified in the list of authorized investments in the summary of significant accounting policies. The City's investment policy does not have specific limits in excess of state law on concentration of credit risk. All investments held at year end are reported above.

3-B. Deposits, Investments and Securities Lending – Pension Trust Funds

The deposits and investments of the City's pension trust funds are maintained separately from the City's pooled cash and investments, and are subject to separate investment policies and state statutes. Accordingly, the required disclosures for the pension deposits and investments are presented separately.

Deposits - The pension trust funds do not maintain any checking or other demand/time deposit accounts. Amounts reported as cash and cash equivalents in the statement of plan net assets are composed entirely of short-term investments in money market accounts.

CITY OF LANSING, MICHIGAN

Notes To Financial Statements

Investments - The Michigan Public Employees Retirement Systems' Investment Act, Public Act 314 of 1965, as amended, authorizes the pension trust funds to invest in stocks, government and corporate securities, mortgages, real estate, and various other investment instruments, subject to certain limitations. The retirement boards have the responsibility and authority to oversee the investment portfolio. Various professional investment managers are contracted to assist in managing the pension trust funds' assets. All investment decisions are subject to Michigan law and the investment policy established by the retirement boards.

The investments of each pension trust fund are held in a bank-administered trust fund. Following is a summary of pension investments as of June 30, 2007:

	Employees' Retirement System	Police and Fire Retirement System	Employees' Money Purchase Pension Plan	Retiree Health Care VEBA	Totals
Investments at fair value, as determined by quoted market price:					
U.S. treasuries:					
Not on securities loan	\$ 396,356	\$ 804,465	\$ -	\$ -	\$ 1,200,821
On securities loan	7,108,602	9,729,655	-	-	16,838,257
U.S. agencies:					
Not on securities loan	30,926,855	39,050,744	-	-	69,977,599
On securities loan	1,315,967	1,146,818	-	-	2,462,785
Domestic corporate securities:					
Not on securities loan	-	1,335,615	-	-	1,335,615
Collateralized mortgage obligations	377,917	505,686	-	-	883,603
Domestic equities:					
Not on securities loan	7,385,139	13,563,123	-	-	20,948,262
On securities loan	12,462,832	18,241,547	-	-	30,704,379
Real estate investment funds	12,171,000	16,896,000	-	-	29,067,000
International equity mutual funds	22,939,000	32,740,000	-	-	55,679,000
Domestic equity mutual funds	80,349,210	121,253,788	2,380,117	3,098,993	207,082,108
Domestic debt securities mutual funds	40,815,556	46,381,878	-	3,109,221	90,306,655
Money market funds	3,348,877	3,984,102	-	-	7,332,979
Total investments	\$219,597,311	\$305,633,421	\$ 2,380,117	\$ 6,208,214	\$533,819,063

CITY OF LANSING, MICHIGAN

Notes To Financial Statements

Credit Risk. The City's pension investment policies provide that at least 90% of its investments in fixed income securities be rated BBB- or better by a nationally recognized statistical rating organization and the remaining 10% be rated at least B- or better. The City's pension investments were rated by Standard & Poor's as follows:

	Employees' Retirement System	Police and Fire Retirement System	Employees' Money Purchase Pension Plan	Retiree Health Care VEBA	Totals
AAA	\$ 10,851,066	\$ 14,373,617	\$ -	\$ -	\$ 25,224,683
AA-	40,815,556	46,381,878	-	-	87,197,434
Not rated	30,599,752	39,319,837	-	1,796,495	71,716,084
Assets not subject to credit risk	<u>137,330,937</u>	<u>205,558,089</u>	<u>2,380,117</u>	<u>4,411,719</u>	<u>349,680,862</u>
	<u>\$ 219,597,311</u>	<u>\$ 305,633,421</u>	<u>\$ 2,380,117</u>	<u>\$ 6,208,214</u>	<u>\$ 533,819,063</u>

Custodial Credit Risk. For investments, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's pension investment policies require that investment securities be held in trust by a third-party institution in the name of the pension trust fund. As such, although uninsured and unregistered, the City's pension investments are not exposed to custodial credit risk since the securities are held by the counterparty's trust department in the name of the pension trust fund.

Short-term investments in money market funds are not subject to custodial credit risk.

CITY OF LANSING, MICHIGAN

Notes To Financial Statements

Concentration of Credit Risk. At June 30, 2007, the pension investment portfolio was concentrated as follows:

<u>Investment Type</u>	<u>Issuer</u>	<u>Employees' Retirement System</u>	<u>Police and Fire Retirement System</u>
U.S. Agencies	FHLMC	7.5%	6.4%
U.S. Agencies	FNMA	6.1%	6.0%

The City's pension investment policies require diversification of fixed income securities; however, they do not specify percentages of dollar amounts by industry or issuer.

Interest Rate Risk. As of June 30, 2007, maturities of the City's pension debt securities were as follows:

	<u>Investment Maturities (Fair Value)</u>				<u>Total</u>
	<u>Less than 1 year</u>	<u>1 - 5 years</u>	<u>6 - 10 years</u>	<u>More than 10 years</u>	
Employees' Retirement System:					
U.S. treasuries	\$ 789,445	\$ 328,994	\$ 3,843,016	\$ 2,543,503	\$ 7,504,958
U.S. agencies	475,811	2,536,060	9,376,906	19,854,045	32,242,822
Collateralized mortgage obligations	-	-	-	377,917	377,917
	<u>\$ 1,265,256</u>	<u>\$ 2,865,054</u>	<u>\$ 13,219,922</u>	<u>\$ 22,775,465</u>	<u>\$ 40,125,697</u>
Police and Fire Retirement System:					
U.S. treasuries	\$ 869,388	\$ 508,446	\$ 6,182,442	\$ 2,973,844	\$ 10,534,120
U.S. agencies	13,551	4,247,270	12,326,558	23,610,183	40,197,562
Domestic corporate securities	-	1,184,300	151,315	-	1,335,615
Collateralized mortgage obligations	-	-	-	505,686	505,686
	<u>\$ 882,939</u>	<u>\$ 5,940,016</u>	<u>\$ 18,660,315</u>	<u>\$ 27,089,713</u>	<u>\$ 52,572,983</u>

The City's pension investment policies provide that the average duration of fixed income securities shall not deviate from the Lehman Brothers Aggregate Index duration by +/-20%.

CITY OF LANSING, MICHIGAN

Notes To Financial Statements

Securities Lending. Under contracts approved by the City, the pension trust funds are permitted to lend their securities to broker-dealers and banks (borrowers) for collateral that will be returned for the same securities in the future. The pension trust funds' custodial banks manage the securities lending programs and receive cash as collateral. The collateral securities cannot be pledged or sold by the City unless the borrower defaults. Collateral cash is initially pledged at 100 percent of the fair value of the securities lent, and may not fall below 95 percent of the market value of the loaned security during the term of the loan. At all times, collateral cannot be more than \$100,000 less than the market value of the loaned security. There are no restrictions on the amount of securities that can be loaned. Securities on loan at year-end are classified in the preceding schedule of custodial credit risk according to the category for the collateral received on the securities lent. At year-end, the pension trust funds have no credit risk exposure to borrowers because the amounts the City owes the borrowers exceed the amounts the borrowers owe the City. The contract with the pension trust fund custodians require them to indemnify the City if the borrowers fail to return the securities (and if the collateral is inadequate to replace the securities lent) or fail to pay the City for income distributions by the securities' issuers while the securities are on loan.

3-C. Receivables

Receivables are comprised of the following:

	Governmental Activities	Business- Type Activities
Accounts receivable, net	\$ 12,672,659	\$ 19,604,698
Taxes receivable	3,970,867	-
Special assessments receivable	1,070,189	-
Loans receivable	1,407,060	-
Accrued interest receivable	1,761,353	402,465
Due from other governments	9,499,563	-
Due from component units	232,478	-
Lease receivable	-	23,531,872
	<u>\$ 30,614,169</u>	<u>\$ 43,539,035</u>
Amount not expected to be collected within one year	<u>\$ 3,787,315</u>	<u>\$ 21,039,103</u>

CITY OF LANSING, MICHIGAN

Notes To Financial Statements

3-D. Capital Assets

Capital assets activity for the year ended June 30, 2007, was as follows:

Primary government

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets, not being depreciated:				
Land	\$ 24,590,068	\$ -	\$ -	\$ 24,590,068
Construction in progress	9,540,812	12,946,946	(7,327,876)	15,159,882
Total capital assets not being depreciated	<u>34,130,880</u>	<u>12,946,946</u>	<u>(7,327,876)</u>	<u>39,749,950</u>
Capital assets, being depreciated:				
Land improvements	8,822,132	171,437	-	8,993,569
Equipment and vehicles	37,160,323	3,445,491	(815,989)	39,789,825
Buildings	88,870,733	3,785,900	(36,359)	92,620,274
Infrastructure	315,832,245	10,186,089	(13,179,571)	312,838,763
Total capital assets being depreciated	<u>450,685,433</u>	<u>17,588,917</u>	<u>(14,031,919)</u>	<u>454,242,431</u>
Less accumulated depreciation for:				
Land improvements	(4,338,361)	(444,359)	-	(4,782,720)
Equipment and vehicles	(29,916,363)	(2,473,174)	809,542	(31,579,995)
Buildings	(41,809,361)	(2,762,281)	26,997	(44,544,645)
Infrastructure	(192,462,980)	(8,734,421)	9,488,744	(191,708,657)
Total accumulated depreciation	<u>(268,527,065)</u>	<u>(14,414,235)</u>	<u>10,325,283</u>	<u>(272,616,017)</u>
Total capital assets, being depreciated, net	<u>182,158,368</u>	<u>3,174,682</u>	<u>(3,706,636)</u>	<u>181,626,414</u>
Governmental activities capital assets, net	<u>\$ 216,289,248</u>	<u>\$ 16,121,628</u>	<u>\$ (11,034,512)</u>	<u>\$ 221,376,364</u>

CITY OF LANSING, MICHIGAN

Notes To Financial Statements

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities				
Capital assets, not being depreciated:				
Land	\$ 13,889,542	\$ -	\$ -	\$ 13,889,542
Construction in progress	65,101,601	26,441,063	(49,370,968)	42,171,696
Total capital assets not being depreciated	<u>78,991,143</u>	<u>26,441,063</u>	<u>(49,370,968)</u>	<u>56,061,238</u>
Capital assets, being depreciated:				
Land improvements	21,461,837	1,743,986	-	23,205,823
Equipment and vehicles	5,367,503	198,630	(16,700)	5,549,433
Buildings	193,907,450	1,348,466	-	195,255,916
Sewers	178,492,204	46,521,042	-	225,013,246
Total capital assets being depreciated	<u>399,228,994</u>	<u>49,812,124</u>	<u>(16,700)</u>	<u>449,024,418</u>
Less accumulated depreciation for:				
Land improvements	(8,159,716)	(523,868)	-	(8,683,584)
Equipment and vehicles	(4,358,316)	(317,195)	16,700	(4,658,811)
Buildings	(86,508,850)	(4,846,376)	-	(91,355,226)
Sewers	(36,652,617)	(4,637,108)	-	(41,289,725)
Total accumulated depreciation	<u>(135,679,499)</u>	<u>(10,324,547)</u>	<u>16,700</u>	<u>(145,987,346)</u>
Total capital assets, being depreciated, net	<u>263,549,495</u>	<u>39,487,577</u>	<u>-</u>	<u>303,037,072</u>
Business-type activities capital assets, net	<u>\$ 342,540,638</u>	<u>\$ 65,928,640</u>	<u>\$ (49,370,968)</u>	<u>\$ 359,098,310</u>

Depreciation expense was charged to functions/programs of the primary government as follows:

Governmental activities:	
General government	\$ 837,136
Public safety	692,080
Public works	8,750,583
Recreation	1,191,527
Community development	1,304,592
Internal service	<u>1,638,317</u>
Total depreciation expense - governmental activities	<u>\$ 14,414,235</u>
Business-type activities:	
Sewage disposal system	\$ 7,441,441
Potter Park Zoo	397,796
Golf	122,545
Municipal parking system	2,315,526
Other	<u>47,239</u>
Total depreciation expense - business-type activities	<u>\$ 10,324,547</u>

CITY OF LANSING, MICHIGAN

Notes To Financial Statements

3-E. Payables

Accounts payable and accrued liabilities are comprised of the following:

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>
Accounts payable	\$ 8,292,585	\$ 7,377,082
Deposits payable	205,339	47,795
Accrued payroll	2,111,954	440,653
Contract retainage payable	2,364,336	-
Indemnity bonds	10,890	-
Due to other governments	1,689,300	125,089
Other	<u>1,021,078</u>	<u>-</u>
	<u>\$ 15,695,482</u>	<u>\$ 7,990,619</u>

3-F. Interfund Receivables, Payables and Transfers

At June 30, 2007, amounts due to/due from other funds were as follows:

	<u>Due From</u>				<u>Total</u>
	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Sewage Disposal System</u>	<u>Municipal Parking System</u>	
Due to:					
General Fund	\$ -	\$ 806	\$ 15,610,204	\$ 649	\$ 15,611,659
Nonmajor governmental funds	3	212,209	-	-	212,212
Sewage Disposal System	5,008,018	-	-	-	5,008,018
Internal service funds	10,000	-	-	-	10,000
	<u>\$ 5,018,021</u>	<u>\$ 213,015</u>	<u>\$ 15,610,204</u>	<u>\$ 649</u>	<u>\$ 20,841,889</u>

The above balances generally resulted from a time lag between the dates that interfund goods and services are provided or reimbursable expenditures occur, transactions are recorded in the accounting system, and payments between funds are made.

CITY OF LANSING, MICHIGAN

Notes To Financial Statements

At June 30, 2007, advances to/due from other funds were as follows:

	Advances To Other Funds	Advances From Other Funds
General Fund	\$ 474,997	\$ -
Municipal Parking System	-	192,439
Nonmajor governmental funds	192,439	474,997
	<u>\$ 667,436</u>	<u>\$ 667,436</u>

In addition, at June 30, 2007, the following interfund receivables/payables were reported for funds with negative equity in pooled cash and investments:

	Interfund Receivable	Interfund Payable
General Fund	\$ -	\$ 14,681,304
Nonmajor governmental funds	13,255,411	3,107,156
Nonmajor enterprise funds	-	367,135
Internal service funds	4,900,184	-
	<u>\$ 18,155,595</u>	<u>\$ 18,155,595</u>

For the year then ended, interfund transfers consisted of the following:

	Transfer To					Total
	General Fund	Nonmajor Governmental Funds	Sewage Disposal System	Nonmajor Enterprise Funds	Internal Service Funds	
Transfer From						
General Fund	\$ -	\$ 3,886,901	\$ 248,117	\$ 2,830,457	\$ 162,000	\$ 7,127,475
Nonmajor governmental funds	318,000	2,383,569	-	339,572	-	3,041,141
Sewage Disposal System	300,000	-	-	-	-	300,000
Nonmajor enterprise funds	-	19,789	-	-	-	19,789
						-
	<u>\$ 618,000</u>	<u>\$ 6,290,259</u>	<u>\$ 248,117</u>	<u>\$ 3,170,029</u>	<u>\$ 162,000</u>	<u>\$ 10,488,405</u>

Transfers are used to: (1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; (2) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service fund as debt service payments become due; and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

CITY OF LANSING, MICHIGAN

Notes To Financial Statements

3-G. Long-term Debt

General obligation bonds. The government issues general obligation bonds to provide funds for the acquisition and construction of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the government. These bonds are issued as 10 to 30-year serial bonds with varying amounts of principal maturing each year. General obligation bonds currently outstanding are as follows:

	Interest Rate	Original Amount	Amount
General obligation bonds			
<i>Governmental activities</i>			
1996 Unlimited Tax Refunding Bond	5.00%	\$ 10,800,000	\$ 2,880,000
1999 Fire Station Unlimited Tax Bond	5.00%-5.70%	3,000,000	510,000
2001 Fire Station Unlimited Tax Bond	4.00%-5.00%	4,000,000	3,325,000
2006 Lansing Center Limited Tax Bonds	3.50%-4.30%	4,000,000	3,820,000
2006 Michigan Transportation Fund Limited Tax Bonds	3.50%-3.60%	1,600,000	1,320,000
2005 Building Authority Refunding Bonds	3.50%-5.00%	1,470,000	1,470,000
2007 Michigan Transportation Fund Limited Tax Bonds	3.625%-5.00%	1,137,600	1,137,600
2007 Michigan Transportation Fund Limited Tax Bonds	3.625%-5.00%	3,602,400	3,602,400
2007 Fire Station Refunding Bonds	3.625%-5.00%	1,780,000	1,780,000
		<u>\$ 31,390,000</u>	<u>\$ 19,845,000</u>
<i>Business-type activities</i>			
1990 Building Authority Municipal Parking System Limited Tax Bond	0.00%	\$ 64,635,000	\$ 33,125,000
2003 Building Authority A Municipal Parking System Limited Tax Bond	3.00%-4.35%	10,340,000	2,485,000
2003 Building Authority B Municipal Parking System Taxable Bond	3.85%-6.25%	8,660,000	8,230,000
2005 Building Authority Refunding Bonds	3.50-5.00%	15,975,000	14,485,000
2007 Building Authority Refunding Bonds	3.625%-5.00%	7,965,000	7,965,000
1996 Building Authority Golf Course Limited Tax Bond	3.80%-5.70%	1,300,000	835,000
1992 Limited Tax Sewer Bond - 5005-01	2.50%	7,128,800	2,815,000
1993 Limited Tax Sewer Bond - 5005-02	2.50%	8,150,050	3,520,000
1994 Limited Tax Sewer Bond - 5005-03	2.50%	3,234,722	1,550,000
1994 Limited Tax Sewer Bond - 5005-04	2.00%	3,727,138	1,642,138
1994 Limited Tax Sewer Bond - 5005-05	2.25%	515,969	200,000
1994 Limited Tax Sewer Bond - 5005-06	2.25%	7,595,611	3,425,000
1996 Limited Tax Sewer Bond - 5005-07	2.25%	3,365,073	1,845,073
1996 Limited Tax Sewer Bond - 5005-08	2.25%	3,995,000	2,415,000
1997 Limited Tax Sewer Bond - 5005-09	2.25%	4,746,780	3,026,780
1998 Limited Tax Sewer Bond - 5005-10	2.25%	10,539,950	7,249,950
1999 Limited Tax Sewer Bond - 5005-11	2.50%	10,120,000	7,135,000
2000 Limited Tax Sewer Bond - 5005-12	2.50%	9,447,830	6,992,830
2001 Limited Tax Sewer Bond - 5005-13	2.50%	10,573,046	8,338,046
2002 Limited Tax Sewer Bond - 5005-14	2.50%	13,416,816	11,781,816
2003 Limited Tax Sewer Bond - 5005-15	2.50%	10,259,826	9,439,826
2004 Limited Tax Sewer Bond - 5005-16	2.13%	3,070,277	2,880,277
2005 Limited Tax Sewer Bond - 5005-17	2.13%	4,739,023	7,676,646
2005 Limited Tax Sewer Bond - 5005-18	1.63%	10,600,905	10,600,905
2006 Limited Tax Sewer Bond - 5005-19	1.63%	15,127,072	15,127,072
2007 Limited Tax Sewer Bond - 5005-20	1.63%	5,391,055	5,391,055
		<u>\$ 254,619,943</u>	<u>\$ 180,177,414</u>

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Notes To Financial Statements

During the year ended June 30, 2007, the City issued \$1,780,000 of general obligation bonds to provide resources to refund \$1,725,000 of the 1999 Fire Station Unlimited Tax Bonds. The proceeds of the refunding were placed in an irrevocable trust to make future debt payments on the refunded bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the statement of net assets. The refunding was undertaken to reduce future debt service payments by \$88,531 and resulted in an economic gain of \$69,670.

During the year ended June 30, 2007, the Building Authority issued \$7,965,000 of general obligation bonds to provide resources to refund \$7,485,000 of the 2003 Building Authority A Municipal Parking System Limited Tax Bonds. The proceeds of the refunding were placed in an irrevocable trust to make future debt payments on the refunded bonds. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the statement of net assets. The refunding was undertaken to reduce future debt service payments by \$397,334 and resulted in an economic gain of \$220,947.

At year end, defeased bonds outstanding consisted of \$1,725,000 of the 1999 Fire Station Unlimited Tax Bonds, which are scheduled to be repaid by the escrow agent on May 1, 2010, and \$7,485,000 of the 2003 Building Authority A Municipal Parking System Limited Tax Bonds, which are scheduled to be paid by the escrow agent on June 1, 2013.

Special assessment bonds. The City also issues bonds to finance certain public improvements that benefit specific districts. These districts are special assessed, at least in part, for the cost of the improvements. Under Michigan law, the City is secondarily liable for repayment of these bonds. Special assessment bonds outstanding at year-end are as follows:

	Interest Rate	Original Amount	Amount
Special assessment bonds			
<i>Governmental activities</i>			
1990 Limited Tax Special Assessment Bond	5.00%	\$ 800,000	\$ 10,000

Revenue bonds. The City also issues bonds where the income derived from the acquired or constructed assets is pledged to pay debt service. Revenue bonds outstanding at year-end are as follows:

	Interest Rate	Original Amount	Amount
Revenue bonds			
<i>Business-type activities</i>			
1998 Sewer Revenue & Refunding Bond	2.50%	\$ 26,415,000	\$ 6,140,000
2003 Sewer Revenue & Refunding Bond	2.50%	39,880,000	37,815,000
		<u>\$ 66,295,000</u>	<u>\$ 43,955,000</u>

CITY OF LANSING, MICHIGAN

Notes To Financial Statements

Installment purchase agreements. The government enters into installment purchase agreements for equipment and related capital assets. Installment purchase agreements outstanding at year-end are as follows:

	Interest Rate	Original Amount	Amount
Installment purchase agreements			
<i>Governmental activities</i>			
2002 Lease Purchase Agreement - Computer Software	3.20%	\$ 1,500,000	\$ 320,000
2004 Lease Purchase Agreement - Roof and Fire Suppression	2.77%	570,000	370,805
1999 Lease Purchase Agreement - Stadium	5.20%-6.05%	11,000,000	2,960,000
2005 Lease Purchase Agreement - LEPFA Extractor and Wall	4.51%	392,046	275,875
2005 Lease Purchase Agreement - LEPFA Carpet	4.51%	126,418	105,618
2005 Lease Purchase Agreement - Income Tax Software	3.76%	430,000	309,338
2005 Lease Purchase Agreement - LEPFA Equipment	4.24%	81,500	71,376
2001 Lease Purchase Agreement - O&M Facility	5.35%	1,925,000	1,295,000
2006 Lease Purchase Agreement - Ambulances	4.23%	474,000	474,000
2006 Lease Purchase Agreement - Energy Efficiencies	4.20%	6,217,227	6,217,227
2006 Lease Purchase Agreement - Oldsmobile Park	6.86%	2,000,000	2,000,000
2007 Lease Purchase Agreement - Oldsmobile Park	5.72%	1,000,000	1,000,000
		<u>\$ 25,716,191</u>	<u>\$ 15,399,239</u>

Loans payable. The government has entered into loan agreements with the certain State agencies for program purposes. Loans payable at year-end are as follows:

	Interest Rate	Original Amount	Amount
Loans payable			
<i>Governmental activities</i>			
2004 Michigan Department of Transportation Loan	3.00%	\$ 1,266,000	\$ 1,272,049
2006 State Infrastructure Bank Loan	3.00%	500,000	500,000
		<u>\$ 1,766,000</u>	<u>\$ 1,772,049</u>
<i>Business-type activities</i>			
2003 MEDC Loan	4.00%	\$ 4,180,000	\$ 4,180,000

CITY OF LANSING, MICHIGAN

Notes To Financial Statements

Debt service requirements to maturity for all installment debt of the City are as follows:

Year Ended June 30	Governmental Activities			Business-Type Activities		
	Principal	Interest	Total	Principal	Interest	Total
2008	\$ 4,793,236	\$ 1,704,677	\$ 6,497,913	\$ 14,734,472	\$ 5,915,859	\$ 20,650,331
2009	4,714,633	1,478,931	6,193,564	15,577,544	5,852,086	21,429,630
2010	3,239,720	1,255,017	4,494,737	16,915,731	5,537,532	22,453,263
2011	3,187,958	1,106,719	4,294,677	17,259,048	5,154,573	22,413,621
2012	2,873,824	965,572	3,839,396	17,452,502	4,765,644	22,218,146
2013-2017	11,458,465	2,953,982	14,412,447	71,377,759	17,998,392	89,376,151
2018-2022	6,758,452	815,092	7,573,544	47,727,677	9,856,434	57,584,111
2023-2027	-	-	-	21,210,964	3,718,812	24,929,776
2028-2032	-	-	-	5,189,694	576,352	5,766,046
2033-2037	-	-	-	867,023	90,864	957,887
	\$ 37,026,288	\$ 10,279,990	\$ 47,306,278	\$ 228,312,414	\$ 59,466,548	\$ 287,778,962

CITY OF LANSING, MICHIGAN

Notes To Financial Statements

Changes in Long-Term Debt. Long-term liability activity for the year ended June 30, 2007, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Governmental activities					
General obligation bonds	\$ 17,245,000	\$ 6,520,000	\$ 3,920,000	\$ 19,845,000	\$ 2,720,000
Special assessment bonds	25,000	-	15,000	10,000	10,000
Installment purchase agreements	7,351,126	9,691,227	1,643,114	15,399,239	1,826,009
Loans payable	1,409,844	500,000	137,795	1,772,049	237,227
Subtotal	26,030,970	16,711,227	5,715,909	37,026,288	4,793,236
Compensated absences	10,349,272	6,541,849	6,833,381	10,057,740	6,926,279
Accrued workers compensation	4,998,254	922,020	1,284,167	4,636,107	1,191,123
Accrued general liability claims	400,000	-	-	400,000	-
Add (deduct) deferred amounts:					
For issuance discounts	(42,400)	-	(2,980)	(39,420)	-
For issuance premiums	52,982	273,905	4,415	322,472	-
On refunding	(14,575)	(70,055)	(1,215)	(83,415)	-
	\$ 41,774,503	\$ 24,378,946	\$ 13,833,677	\$ 52,319,772	\$ 12,910,638
Business-type activities					
General obligation bonds	\$ 168,824,004	\$ 29,698,410	\$ 18,345,000	\$ 180,177,414	\$ 11,665,000
Revenue bonds	47,905,000	-	3,950,000	43,955,000	2,830,000
Loans payable	4,180,000	-	-	4,180,000	239,472
Subtotal	220,909,004	29,698,410	22,295,000	228,312,414	14,734,472
Compensated absences	1,152,595	630,758	684,236	1,099,117	670,062
Add (deduct) deferred amounts:					
For issuance discounts	(10,562,698)	(90,758)	(1,965,372)	(8,688,084)	-
For issuance premiums	926,703	-	43,103	883,600	-
On refunding	(2,893,518)	(308,321)	(305,316)	(2,896,523)	-
	\$ 209,532,086	\$ 29,930,089	\$ 20,751,651	\$ 218,710,524	\$ 15,404,534

For the governmental activities, compensated absences and other long-term debt are generally liquidated by the general fund.

3-H. Segment Information – Enterprise Funds

The government issued revenue bonds to finance certain improvements to its sewage disposal system. Because the Sewage Disposal System, an individual fund that accounts entirely for the government's sewage activities, is a segment and is reported as a major fund in the fund financial statements, separate segment disclosures herein are not required.

3-I. Endowments

For the year ended June 30, 2007, the net appreciation on investments available for of restricted endowments was \$93,850. Under the terms of the endowments, and consistent with State statutes, the City is authorized to spend the net appreciation for the benefit of the cemetery and parks. The expendable portion of earnings has been transferred to other funds. The remaining non-expendable portion of the endowment is reported in restricted net assets.

CITY OF LANSING, MICHIGAN

Notes To Financial Statements

NOTE 4 – OTHER INFORMATION

4-A. Risk Management

The City of Lansing is exposed to various risks of loss related to property loss, torts, errors and omissions and employee injuries.

The City carries commercial insurance for claims relating to general liability, property, electronic data processing, boiler and machinery, police professional and errors and omissions. The City has not experienced settlements in excess of insurance coverage during the past three years.

The City is uninsured for acts of nature and environmental clean-up costs.

The City is self-insured for workers' compensation costs. The City estimates the liability for workers' compensation claims that have been incurred through the end of the fiscal year, including those claims that have been reported as well as those that have not yet been reported to the City. The current liability is accounted for in the General Fund, with long term liabilities accounted for in the Statement of Net Assets. The City has liability insurance coverage up to a maximum amount of \$16,000,000 per occurrence with a \$350,000 deductible. Changes in the estimated long-term liability as well as the total estimated cost of claims for the past two fiscal years were as follows:

	<u>Fiscal Year Ended June 30,</u>	
	<u>2007</u>	<u>2006</u>
Estimated liability, beginning of year	\$ 4,998,254	\$ 3,619,376
Estimated claims incurred, including changes in estimates	922,020	2,722,794
Claims payments	<u>(1,284,167)</u>	<u>(1,343,916)</u>
Estimated liability, end of year	<u>\$ 4,636,107</u>	<u>\$ 4,998,254</u>

4-B. Property Taxes

Property taxes attach as an enforceable lien on property as of the date they are levied. City, community college, and 50% of school taxes are levied and due July 1 and become delinquent after August 31. County taxes and the balance of school taxes are levied and due December 1 and become delinquent after February 14. In March, taxes on real property still delinquent are purchased by the County's Tax Revolving Funds. Collections of community college, school, and county taxes and remittances are accounted for in the General Fund. City property tax revenues are recognized in the fiscal year for which the taxes are levied to the extent that they result in current receivables (i.e., are collected within 60 days after fiscal year-end).

CITY OF LANSING, MICHIGAN

Notes To Financial Statements

The City is permitted by charter and state law to levy taxes up to \$19.198 per \$1,000 of assessed valuation for general operations other than the payment of principal and interest on long-term debt. The tax rate to finance general governmental services other than the payment of principal and interest on long-term debt for the year ended June 30, 2007 was \$14.95 per \$1,000 of taxable value.

4-C. Contingent Liabilities

Amounts received or receivable from grantor agencies are subject to audit and potential adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the government expects such amounts, if any, to be immaterial.

The government is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the government's counsel that resolution of these matters will not have a material adverse effect on the financial condition of the government.

4-D. Defined Benefit Pension Plans

Employees' Retirement System

The City sponsors and administers the Employees' Retirement System (the "Plan"), a single-employer, defined-benefit pension plan. It is accounted for as a separate pension trust fund. No stand-alone financial reports are issued. It covers general full-time employees of the City of Lansing and employees of the 54-A District Court. It does not include elected officials, who are members of the Employees' Money Purchase Pension Plan, nor does it include police officers and firefighters, who are members of a separate City pension plan. The payroll for employees covered by the plan for the year ended December 31, 2006, was \$31,943,723; the City's total payroll was \$58,915,953. Administration of the plan is funded through the General Fund.

As of December 31, 2006, employee membership data was as follows:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	<u>831</u>
Active members:	
Vested	265
Nonvested	<u>380</u>
	<u>645</u>

CITY OF LANSING, MICHIGAN

Notes To Financial Statements

Approximately 22.5% of the active membership may retire with a combination of age plus service equal to 65. All other members may retire at age 50 with 25 or more years of credited service or age 58 with 8 or more years of credited service. Members are vested after completing 8 years of credited service. For all members, annual regular retirement allowances are determined by multiplying total credited service times 1.6% to 2.8% times final average compensation. Final average compensation is the member's highest wages for two consecutive years during the last 10 years. Retirement options that provide for survivor benefits are available to members. The plan also provides death and disability benefits. If a member leaves employment or dies before vesting, accumulated member contributions plus interest are refunded to the member or designated beneficiary. Members who are vested and terminate their employment have the option of deferring retirement benefits until age 58 or withdrawing their contribution, thereby forfeiting any future benefits.

Active members contribute between 1.7% and 7.25% of wages as determined by individual labor agreements. Chapter 292 of the City of Lansing's Code of Ordinances establishes benefit provisions and requires that the annuity and pension reserves (which are determined annually by the City's actuary) not financed by member contributions shall be financed by annual appropriations.

The City's funding policy provides for periodic employer contributions at actuarially determined rates that expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and amortization payment for the year ended June 30, 2007, was determined using an entry age actuarial funding method. Unfunded actuarial accrued liabilities are being amortized as a level percent of payroll over an open period of 30 years.

Contributions are recognized when due pursuant to formal commitments, as well as statutory or contractual requirements. The fund is accounted for in essentially the same manner as the Proprietary Funds and uses the full accrual method of accounting.

Plan valuation assets are equal to the reported market value of assets except that only 20% of the difference between the mark-to-market rate of return and the 8% actuarial rate of return is recognized each year. This five year smoothing method reduces the fluctuation in the City's computed contribution rate which might otherwise be caused by market value fluctuations. The entry-age actuarial cost method is used to determine plan liabilities. Significant actuarial assumptions used in determining the entry-age actuarial accrued liability include (a) a rate of return on investments of 8% per year compounded annually (b) projected salary increases of 4% attributable to inflation and 0% to 7% per year depending on age attributable to seniority/merit (c) assumption that benefits generally will increase \$200 annually after age 60.

During the year ended June 30, 2007, total contributions of \$6,616,185 were made in accordance with actuarially determined requirements computed through an actuarial valuation performed as of December 31, 2005. The City contributed \$5,230,666 (16.09% of projected valuation payroll), excluding contributions for health insurance; employees contributed \$1,385,519 (4.78% of projected valuation payroll). The City's contribution consisted of (a) \$3,283,602 normal cost (10.10% of projected valuation payroll) and (b) \$1,947,066 amortization of the unfunded actuarial accrued liability (5.99% of projected valuation payroll).

CITY OF LANSING, MICHIGAN

Notes To Financial Statements

At December 31, 2006, the unfunded actuarial accrued liability was determined as follows:

Actuarial accrued liability for:	
Active participants (265 vested and 380 non-vested)	\$ 62,283,321
Retired participants and beneficiaries currently receiving benefits (783 recipients)	170,198,697
Vested terminated participants not yet receiving benefits (48)	2,300,543
Member benefit reserve	<u>16,644,110</u>
Total actuarial accrued liability	251,426,671
Actuarial value of assets (smoothed market value) *	<u>208,765,182</u>
 Unfunded actuarial accrued liability	 <u>\$ 42,661,489</u>

* Excluding reserve for health insurance

The City had initially contributed the annual required contributions ("ARC"), and thus, has never actually had, or had need to report, a net pension obligation ("NPO"), as required under GASB Statement No. 27.

Three-Year Trend Information

(amounts in thousands)

Years Ended June 30,	Annual Pension Cost (APC)	Percentage Contributed	Net Pension Obligation
2005	\$ 4,675	100%	\$ -
2006	4,900	100	-
2007	5,231	100	-

Police and Fire Retirement System

The City sponsors and administers the Police and Fire Retirement System (the "Plan"), a single-employer defined-benefit pension plan. It is accounted for as a separate pension trust fund. No stand-alone financial reports are issued. It covers all police officers and firefighters who are full-time employees of the City. The City's payroll for employees covered by the plan for the year ended December 31, 2005, was \$29,582,427, the City's total payroll was \$58,915,953. Administration of the plan is funded through the General Fund.

CITY OF LANSING, MICHIGAN

Notes To Financial Statements

As of December 31, 2006, employee membership data related to the plan was as follows:

Retirees and beneficiaries currently receiving benefits and terminated employees entitled to benefits but not yet receiving them	<u>641</u>
Active members:	
Vested	256
Nonvested	<u>198</u>
	<u>454</u>

Members may retire at any age with 25 or more years of credited service, or age 55 with 10 or more years of credited service. Members are vested after completing 10 years of credited service. Members are required to retire at age 70. Annual retirement allowances are determined by multiplying final average compensation by 3.2% for the first 25 years of credited service. The maximum allowance is 80% of final average compensation. Final average compensation is the member's highest wages for 2 consecutive years.

When an employee who had retired subsequent to August 31, 1966, dies, the plan provides for an automatic pension to the retiree's spouse. This automatic pension is equal to 50% of the regular retirement benefit the employee had been receiving at time of death. Effective July 30, 1990, members may elect a reduced benefit, either 93% or 86% of the regular benefit, thereby increasing the spouse pension to 75% or 86% of the regular benefit, respectively. Alternately, members may elect a non-spousal beneficiary option. The plan provides death and disability benefits. If a member leaves employment or dies before vesting, accumulated member contributions plus interest are refunded to the member or designated beneficiary. Members who are vested and terminate their employment have the option of deferred retirement benefits until age 55 or withdrawing their contribution, thereby forfeiting any future benefits.

Fire members are required to contribute 7.58% of their annual wages to the plan. Police supervisors are required to contribute 9.52% and police non-supervisors, 8.50%. Chapter 294 of the City of Lansing's Ordinance establishes benefit provisions and requires that the portion of the annuity and pension reserves (which are determined annually by the City's actuary) not financed by member contributions shall be financed by annual appropriations.

In addition to the payments under this plan, the City made payments from the General Fund to provide benefits for the beneficiaries of a prior pension plan. This prior plan was superseded by the present plan as of January 1, 1944. There were no payments made to beneficiaries under that plan.

The City's funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of annual covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and amortization payment for the year ended June 30, 2007, was determined using an entry age actuarial funding method. Unfunded actuarial accrued liabilities are being amortized as a level percent of payroll over an open period of 30 years.

CITY OF LANSING, MICHIGAN

Notes To Financial Statements

Plan valuation assets are equal to the reported market value of assets except that only 20% of the difference between the mark-to-market rate of return and the 8% actuarial rate of return is recognized each year. This five year smoothing method reduces the fluctuation in the City's computed contribution rate which might otherwise be caused by market value fluctuations. The entry-age actuarial cost method is used to determine plan liabilities. Significant actuarial assumptions used in determining the entry-age actuarial accrued liability include (a) a rate of return on investments of 8% per year compounded annually (b) projected salary increases of 4% attributable to inflation and .51 to 11.5% per year depending on age attributable to seniority/merit (c) assumption that benefits generally will increase \$525 annually after retirement.

During the year ended June 30, 2007, total contributions of \$8,105,603 were made in accordance with actuarially determined requirements computed through an actuarial valuation performed as of December 31, 2005. The City contributed \$5,385,960 (18.35% of projected valuation payroll), excluding contributions for health insurance; employees contributed \$2,719,643 (9.47% of projected valuation payroll). The City's contribution consisted of (a) \$4,414,432 normal cost (15.04% of projected valuation payroll) and (b) \$971,528 amortization of the unfunded actuarial accrued liability (3.31% of projected valuation payroll).

At December 31, 2006, the assets in excess of actuarial accrued liability were determined as follows:

Active participants (256 vested and 198 non-vested)	\$ 106,950,223
Retired participants and beneficiaries currently receiving benefits (623 recipients)	198,762,996
Vested terminated participants not yet receiving benefits (18)	<u>2,479,428</u>
Total actuarial accrued liability	308,192,647
Actuarial value of assets (smoothed market value) *	<u>278,838,611</u>
Unfunded Actuarial accrued liability	<u>\$ 29,354,036</u>

* Excluding reserve for health insurance

The City had initially contributed the annual required contributions ("ARC"), and thus, has never actually had, or had a need to report, a net pension obligation ("NPO"), as required under GASB Statement No. 27.

Significant actuarial assumptions used to compute contribution requirements were the same as those used to compute the standardized measure of the actuarial accrual liability.

CITY OF LANSING, MICHIGAN

Notes To Financial Statements

Three-Year Trend Information

(amounts in thousands)

<u>Years Ended June 30,</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage Contributed</u>	<u>Net Pension Obligation</u>
2005	\$ 3,334	100%	\$ -
2006	4,659	100	-
2007	5,386	100	-

Employees' Money Purchase Pension Plan

The City of Lansing sponsors and contributes to the Employees' Money Purchase Pension Plan (the "Plan"), which is a single-employer defined - contribution pension plan. Administration of the plan is funded by the General Fund.

A defined contribution pension plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account and the returns earned on investments of those contributions. As established by Chapter 292.30 of the City of Lansing's Code of Ordinances, this plan includes all elected officials hired subsequent to September 30, 1990. As of June 30, 2007, there were 10 active members in this plan. Contributions made by employees vest immediately, and contributions made by the City vest after three years of full-time employment. When employees terminate employment, they are entitled to their contributions and the City's contributions if vesting requirements are satisfied. Employees may contribute up to 8% of their wages in 1% increments. The City contributes an amount equal to 6.0% of the employees' wages for retirement benefits.

During the year, the City's required and actual contributions amounted to \$20,146, which was approximately 6% of covered payroll of \$335,752. There were no employee contributions.

No pension provision changes occurred during the year that affected the required contributions to be made by the City. In addition, the plan does not issue stand-alone financial statements.

CITY OF LANSING, MICHIGAN

Notes To Financial Statements

Financial statements for individual pension plans

Pension Net Assets

	Employees' Retirement System	Police and Fire Retirement System	Employees' Money Purchase Pension Plan	Retiree Health Care VEBA	Totals
Assets					
Cash and cash equivalents	\$ 3,348,877	\$ 3,984,102	\$ -	\$ -	\$ 7,332,979
Investments:					
U. S. Government obligations	40,125,697	51,237,368	-	-	91,363,065
Corporate bonds	-	1,335,615	-	-	1,335,615
Common stocks	19,847,971	31,804,670	-	-	51,652,641
Mutual funds	156,274,766	217,271,666	2,380,117	6,208,214	382,134,763
Contribution receivable	-	2,333,258	3,096	-	2,336,354
Dividends and interest receivable	280,856	363,495	35,495	24,029	703,875
Total assets	219,878,167	308,330,174	2,418,708	6,232,243	536,859,292
Liabilities					
Accounts payable	1,727,231	292,784	-	-	2,020,015
Net assets held in trust for:					
Pension benefits	207,932,757	294,973,489	2,418,708	-	505,324,954
Other postemployment benefits	10,218,179	13,063,901	-	6,232,243	29,514,323
Total net assets	\$ 218,150,936	\$ 308,037,390	\$ 2,418,708	\$ 6,232,243	\$ 534,839,277

Changes in Pension Net Assets

Additions					
Investment income:					
Net appreciation in fair value of investments	\$ 5,163,206	\$ 39,432,063	\$ -	\$ 361,318	\$ 44,956,587
Interest income	24,158,966	3,225,836	394,297	561	27,779,660
Dividend income	150,406	265,047	-	238,568	654,021
Less investment expenses	(749,937)	(910,873)	(3,634)	-	(1,664,444)
Net investment income	28,722,641	42,012,073	390,663	600,447	71,725,824
Contributions:					
Employer	5,930,666	5,955,960	20,146	2,000,000	13,906,772
Plan members	1,385,519	2,719,643	-	-	4,105,162
Total contributions	7,316,185	8,675,603	20,146	2,000,000	18,011,934
Total additions	36,038,826	50,687,676	410,809	2,600,447	89,737,758
Deductions					
Participant benefits	16,827,230	19,989,865	783,541	-	37,600,636
Administrative expense	30,287	19,604	-	-	49,891
Total deductions	16,857,517	20,009,469	783,541	-	37,650,527
Net additions (deductions) to net assets held in trust	19,181,309	30,678,207	(372,732)	2,600,447	52,087,231
Net assets held in trust for pension benefits:					
Beginning of year	198,969,627	277,359,183	2,791,440	3,631,796	482,752,046
End of year	\$ 218,150,936	\$ 308,037,390	\$ 2,418,708	\$ 6,232,243	\$ 534,839,277

CITY OF LANSING, MICHIGAN

Notes To Financial Statements

4-E. Postemployment Benefits

The City of Lansing contributes to the Employees' Retirement System, the Police and Fire Retirement System, and the Voluntary Beneficiary Association (VEBA), amounts to pre-fund post employment healthcare. In the Employees' Retirement System and the Police and Fire Retirement System, these other postemployment benefits (OPEB) are set up as reserves in the pension plans, and their investments are commingled with the investments of the pension. Portfolio makeup is reported as a percentage of total pension plan assets. Earnings are calculated based on a seven year smoothed rate of return of the retirement systems. Eligible participants include any retirees who receive pension benefits under the respective pension plans. OPEB plan provisions are established and may be amended by the City Council, subject to the City's various collective bargaining agreements.

Voluntary Employees Beneficiary Association (VEBA). The City of Lansing Voluntary Employees Beneficiary Association (the "Plan") is a single-employer defined benefit post employment healthcare plan established by the City to provide medical and healthcare benefits for retirees and their beneficiaries. Eligible participants include any retirees who receive pension benefits under one of the City's pension plans. The Plan is funded by a trust agreement established pursuant to Section 501(c)(9) of the Internal Revenue Code that allows for the formation of a VEBA. During the year, the City contributed \$2,000,000 to the plan.

Employees' Retirement System. The City provides postretirement health care benefits, in accordance with labor agreements, to full-time employees of the City and employees of the 54-A District Court (not including police officers and firefighters who are members of the Police and Fire Retirement System). Depending on date hired, members are eligible to receive health care benefits with a minimum of 8 to 15 years of service and an age requirement ranging from none to age 58. The City provides the full cost of health benefits to retirees, payable to health care vendors, and also reimburses retirees eligible for Medicare benefits of \$88.50 per month for each covered retiree and dependent(s). The payments are charged to the Fringe Benefit Internal Service Fund of the City and are recognized as expenses as payments are made. During the year, payments for health care benefits were approximately \$8,038,064 and the City contributed \$700,000 to the Employees' Retirement System.

There were no significant changes in health benefits over the previous year.

Police and Fire Retirement System. The City also provides postretirement health care benefits, in accordance with labor agreements, to full-time police officers and firefighters with a minimum of 15 years of service and an age requirement of 55 years. If service is 25 years or more, there is no age requirement. The City provides the full cost of health benefits to retirees, payable to health care vendors, and also reimburses retirees eligible for Medicare benefits of \$88.50 per month for each covered retiree and dependent(s). The payments are charged to the Fringe Benefit Internal Service Fund of the City and are recognized as expenses as payments are made. During the year, payments for health care benefits were approximately \$7,808,111 and the City contributed \$570,000 to the Police and Fire Retirement System to fund retiree healthcare.

CITY OF LANSING, MICHIGAN

Notes To Financial Statements

There were no significant changes in health benefits over the previous year.

Plan valuation assets for the OPEB plans are equal to the reported market value of assets except that only 20% of the difference between the mark-to-market rate of return and the 8% actuarial rate of return is recognized each year. The entry-age actuarial cost method, with a 30 year amortization of unfunded accrued liabilities was used to determine the liabilities. The entry-age method is a stable method that is consistent with a level percentage of payroll financing. The actuarial accrued liability assumes a healthcare cost trend rate of 12% to 4%.

At December 31, 2003 (the date of the most recent actuarial valuation), the assets in excess of actuarial accrued liability were determined as follows:

	Employees' Retirement System & VEBA *	Police & Fire Retirement System
Actuarial accrued liability for:		
Active participants	\$ 53,263,192	\$ 46,306,050
Retired participants and beneficiaries currently receiving benefits	106,953,713	116,047,597
Vested terminated participants not yet receiving benefits	<u>7,745,460</u>	<u>1,585,311</u>
Total actuarial accrued liability	167,962,365	163,938,958
Actuarial value of assets (smoothed market value)	<u>8,098,496</u>	<u>9,793,954</u>
Unfunded actuarial accrued liability	<u>\$159,863,869</u>	<u>\$154,145,004</u>
Funded ratio	4.8%	6.0%
Covered payroll	\$ 33,074,504	\$ 28,645,339
UAAL as a % of covered payroll	483.3%	538.1%

* - The Employees' Retirement System and VEBA were combined on the actuarial valuation.

4-F. Subsequent Events

On July 1, 2007 the City of Lansing entered into a lease agreement with Ingham County where the County took over operations of Potter Park Zoo. The City retained ownership of all real property, while the personal property was turned over to the County for use in the operations of the Zoo.

On September 20, 2007 the City of Lansing entered into a \$518,000 installment purchase contract for the installation of a new telephone system in City Hall and other City facilities.

* * * * *

REQUIRED SUPPLEMENTARY INFORMATION

**City of Lansing
Employees' Retirement System
Required Supplementary Information
(amounts in thousands)**

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (B)	Underfunded AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a % of Covered Payroll ((B-A)/C)
12/31/1997	\$ 127,444	\$ 161,792	\$ 34,348	78.8%	\$ 18,332	187.4%
12/31/1998	143,268	170,775	27,507	83.9%	17,820	154.4%
12/31/1999	161,958	187,150	25,192	86.5%	19,312	130.4%
12/31/2000	177,855	198,396	20,541	89.6%	19,521	105.2%
12/31/2001	191,311	213,648	22,337	89.5%	20,282	110.1%
12/31/2002	192,920	215,405	22,485	89.6%	19,098	117.7%
12/31/2003	199,329	221,088	21,759	90.2%	30,579	71.2%
12/31/2004	206,200	231,389	25,189	89.1%	32,383	77.8%
12/31/2005	207,881	245,242	37,361	84.8%	30,851	121.1%
12/31/2006	208,765	251,427	42,662	83.0%	31,944	133.6%

Schedule of Employer Contributions

Year Ended June 30	Annual Required Contributions	Percentage Contributed
1998	\$ 4,086	99.2%
1999	3,334	100.0%
2000	3,138	100.0%
2001	3,215	100.0%
2002	3,105	100.0%
2003	3,567	98.1%
2004	3,466	100.0%
2005	4,675	100.0%
2006	4,900	100.0%
2007	5,231	100.0%

City of Lansing
Police and Fire Retirement System
Required Supplementary Information
(amounts in thousands)

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (A)	Actuarial Accrued Liability (B)	Underfunded (Overfunded) AAL (UAAL) (B-A)	Funded Ratio (A/B)	Covered Payroll (C)	UAAL as a % of Covered Payroll ((B-A)/C)
12/31/1996	\$ 172,830	\$ 191,074	\$ 18,244	90.5%	\$ 20,392	89.5%
12/31/1997	193,162	206,191	13,029	93.7%	22,419	58.1%
12/31/1998	217,011	218,533	1,522	99.3%	22,792	6.7%
12/31/1999	245,197	233,332	(11,865)	105.1%	24,352	-48.7%
12/31/2000	267,020	239,615	(27,405)	111.4%	24,830	-110.4%
12/31/2001	280,518	249,204	(31,314)	112.6%	25,751	-121.6%
12/31/2002	280,686	259,282	(21,404)	108.3%	26,152	-81.8%
12/31/2003	277,947	267,786	(10,161)	103.8%	26,484	-38.4%
12/31/2004	275,807	279,873	4,066	98.5%	27,754	14.7%
12/31/2005	273,421	290,299	16,878	94.2%	27,855	60.6%
12/31/2006	278,839	308,193	29,354	90.5%	29,582	99.2%

Schedule of Employer Contributions

Year Ended June 30	Annual Required Contributions	Percentage Contributed
1998	\$ 4,252	99.0%
1999	4,380	99.4%
2000	4,063	100.0%
2001	3,561	100.0%
2002	2,665	100.0%
2003	2,637	100.0%
2004	3,287	99.6%
2005	3,334	100.3%
2006	4,659	100.0%
2007	5,386	100.0%

**COMBINING and INDIVIDUAL FUND
STATEMENTS and SCHEDULES**

City of Lansing
Combining Balance Sheet - Nonmajor Governmental Funds
June 30, 2007

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Permanent</u>	<u>Totals</u>
<u>Assets</u>					
Assets					
Cash and cash equivalents	\$ 59,383	\$ 26,716	\$ 6,328,164	\$ -	\$ 6,414,263
Equity in pooled cash	3,181,800	121,568	13,923,517	1,250	17,228,135
Investments	-	-	-	1,540,000	1,540,000
Accounts receivable, net	2,788,774	-	-	-	2,788,774
Special assessments receivable	-	1,369	1,068,820	-	1,070,189
Loans receivable	1,407,060	-	-	-	1,407,060
Accrued interest receivable	1,663,117	-	19,368	78,868	1,761,353
Due from other funds	212,209	3	-	-	212,212
Interfund receivable	13,255,411	-	-	-	13,255,411
Advances to other funds	-	-	192,439	-	192,439
Due from other governments	4,349,722	-	1,070	-	4,350,792
Total assets	<u>\$ 26,917,476</u>	<u>\$ 149,656</u>	<u>\$ 21,533,378</u>	<u>\$ 1,620,118</u>	<u>\$ 50,220,628</u>
<u>Liabilities and Fund Balances</u>					
Liabilities					
Accounts payable	\$ 1,740,088	\$ -	\$ 956,895	\$ -	\$ 2,696,983
Deposits payable	205,339	-	-	-	205,339
Accrued payroll	300,869	-	1,903	-	302,772
Indemnity bonds	10,890	-	-	-	10,890
Due to other funds	-	-	213,015	-	213,015
Interfund payable	3,080,208	3,769	-	23,179	3,107,156
Advances from other funds	-	-	474,997	-	474,997
Due to other governments	321,621	-	-	-	321,621
Deferred revenue	4,383,415	1,369	715,769	-	5,100,553
Total liabilities	<u>10,042,430</u>	<u>5,138</u>	<u>2,362,579</u>	<u>23,179</u>	<u>12,433,326</u>
Fund balances					
Reserved for advances	-	-	192,439	-	192,439
Reserved for encumbrances	2,284,094	-	-	-	2,284,094
Reserved for long-term receivables	67,806	-	-	-	67,806
Unreserved:					
Designated for subsequent years' expenditures	6,976,602	-	-	-	6,976,602
Undesignated	7,546,544	144,518	18,978,360	1,596,939	28,266,361
Total fund balances	<u>16,875,046</u>	<u>144,518</u>	<u>19,170,799</u>	<u>1,596,939</u>	<u>37,787,302</u>
Total liabilities and fund balances	<u>\$ 26,917,476</u>	<u>\$ 149,656</u>	<u>\$ 21,533,378</u>	<u>\$ 1,620,118</u>	<u>\$ 50,220,628</u>

City of Lansing
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances - Nonmajor Governmental Funds
For the Year Ended June 30, 2007

	<u>Special Revenue</u>	<u>Debt Service</u>	<u>Capital Projects</u>	<u>Permanent</u>	<u>Totals</u>
Revenues					
Taxes and special assessments	\$ 417,080	\$ 2,109,248	\$ 310,823	\$ -	\$ 2,837,151
Intergovernmental	17,356,171	-	-	-	17,356,171
Charges for services	8,023,165	-	38,837	-	8,062,002
Fines and forfeits	436,947	-	-	-	436,947
Interest	520,132	93,747	490,248	93,850	1,197,977
Contributions	14,500	-	-	-	14,500
Donations from private sources	-	-	114,954	-	114,954
Other revenues	798,659	-	-	-	798,659
	<u>27,566,654</u>	<u>2,202,995</u>	<u>954,862</u>	<u>93,850</u>	<u>30,818,361</u>
Total revenues					
Expenditures					
Current expenditures:					
General government	2,591,071	-	-	-	2,591,071
Public safety	5,704,933	-	-	-	5,704,933
Highways and streets	8,478,914	-	-	-	8,478,914
Recreation and culture	65,912	-	-	-	65,912
Other functions	7,229,444	-	-	-	7,229,444
Debt service:					
Principal	1,377,794	1,750,000	-	-	3,127,794
Interest	427,317	587,910	-	-	1,015,227
Issuance costs	-	50,471	-	-	50,471
Capital outlay	6,723,191	-	13,278,468	-	20,001,659
	<u>32,598,576</u>	<u>2,388,381</u>	<u>13,278,468</u>	<u>-</u>	<u>48,265,425</u>
Total expenditures					
Revenues over (under) expenditures	<u>(5,031,922)</u>	<u>(185,386)</u>	<u>(12,323,606)</u>	<u>93,850</u>	<u>(17,447,064)</u>
Other financing sources (uses)					
Transfers in	3,988,321	186,465	2,095,684	19,789	6,290,259
Transfers out	(1,493,177)	-	(1,454,114)	(93,850)	(3,041,141)
Issuance of long-term debt	-	1,780,000	14,931,227	-	16,711,227
Bond premium	-	69,668	204,237	-	273,905
Payment to escrow agent	-	(1,795,055)	-	-	(1,795,055)
	<u>2,495,144</u>	<u>241,078</u>	<u>15,777,034</u>	<u>(74,061)</u>	<u>18,439,195</u>
Total other financing sources (uses)					
Net change in fund balances	(2,536,778)	55,692	3,453,428	19,789	992,131
Fund balances, beginning of year	19,411,824	88,826	15,717,371	1,577,150	36,795,171
Fund balances, end of year	<u>\$ 16,875,046</u>	<u>\$ 144,518</u>	<u>\$ 19,170,799</u>	<u>\$ 1,596,939</u>	<u>\$ 37,787,302</u>

Nonmajor Special Revenue Funds

Major Streets Fund – This fund accounts for revenues received from the State of Michigan for the City's share of state gasoline and weight taxes, which is used for maintenance of major streets.

Local Streets Fund – This fund accounts for revenues received from the State of Michigan for the City's share of state gasoline and weight taxes, which is used for maintenance of local streets.

Budget Stabilization Fund – This fund is used to account for funds set aside under the provisions of Public Act 30 of 1978. Funds set aside are to be determined by the City Council on an annual basis in any year where actual General Fund revenues exceed actual expenditures.

Drug Law Enforcement Fund – This fund accounts for revenues set aside for drug law enforcement under the provisions of State of Michigan Public Act 135 of 1985, as amended.

State and Federal Programs Fund – This fund accounts for all revenues received from miscellaneous grants and local contributions. These revenues are used for projects as detailed in individual grant applications.

Community Development Block Grant Program Fund – This fund accounts for revenues received from the Department of Housing and Urban Development. These revenues are restricted to accomplishing the various objectives of Community Development Block Grant Programs, within specific target areas.

Stadium Fund – This fund accounts for the City's share of revenues received from events held at Oldsmobile Park, the City's baseball stadium. The revenues are used for stadium expenditures.

Principal Shopping District Fund – This fund accounts for assessments received from businesses located in the district. The revenues are used for special events and maintenance of the district.

911 Communications Center Fund – This fund accounts for the operations of the county-wide 911 communications center. Revenues received are from the County for actual expenditures incurred.

Building Department Fund – This fund accounts for revenues and expenditures resulting from the enforcement of the State Construction Code Act of 1999 (PA 245 of 1999).

Parks Department Fund – This fund accounts for contributions and transfers which are restricted for park expenditures.

City of Lansing
Combining Balance Sheet - Nonmajor Special Revenue Funds
June 30, 2007

	<u>Major Streets</u>	<u>Local Streets</u>	<u>Budget Stabilization</u>	<u>Drug Law Enforcement</u>	<u>State and Federal Programs</u>
<u>Assets</u>					
Assets					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 53,920	\$ -
Equity in pooled cash	-	1,321,304	-	1,062,702	174,369
Accounts receivable	-	-	-	-	5,131
Loans receivable	-	-	-	-	-
Accrued interest receivable	-	-	-	-	-
Due from other funds	83,092	129,117	-	-	-
Interfund receivable	7,527,352	-	5,728,059	-	-
Due from other governments	1,176,266	376,748	-	-	2,226,882
Total assets	<u>\$ 8,786,710</u>	<u>\$ 1,827,169</u>	<u>\$ 5,728,059</u>	<u>\$ 1,116,622</u>	<u>\$ 2,406,382</u>
<u>Liabilities and Fund Balances</u>					
Liabilities					
Accounts payable	\$ 320,129	\$ 422,840	\$ -	\$ 53,188	\$ 814,018
Deposits payable	-	-	-	198,289	-
Accrued payroll	69,816	80,482	-	2,719	16,249
Indemnity bonds	8,740	2,150	-	-	-
Interfund payable	-	-	-	-	-
Due to other governments	-	-	-	321,621	-
Deferred revenue	-	-	-	-	1,513,238
Total liabilities	<u>398,685</u>	<u>505,472</u>	<u>-</u>	<u>575,817</u>	<u>2,343,505</u>
Fund balances					
Reserved for encumbrances	2,241,299	33,515	-	9,280	-
Reserved for long-term receivables	-	67,806	-	-	-
Unreserved:					
Designated for subsequent years' expenditures	6,146,726	652,575	-	4,500	-
Undesignated	-	567,801	5,728,059	527,025	62,877
Total fund balances	<u>8,388,025</u>	<u>1,321,697</u>	<u>5,728,059</u>	<u>540,805</u>	<u>62,877</u>
Total liabilities and fund balances	<u>\$ 8,786,710</u>	<u>\$ 1,827,169</u>	<u>\$ 5,728,059</u>	<u>\$ 1,116,622</u>	<u>\$ 2,406,382</u>

Community Development Block Grant Program	Stadium	Principal Shopping District	911 Communications Center	Building Department	Parks Department	Totals
\$ -	\$ -	\$ -	\$ -	\$ 5,463	\$ -	\$ 59,383
-	-	43,205	-	37,995	542,225	3,181,800
-	121,077	-	2,658,573	3,993	-	2,788,774
1,407,060	-	-	-	-	-	1,407,060
1,663,117	-	-	-	-	-	1,663,117
-	-	-	-	-	-	212,209
-	-	-	-	-	-	13,255,411
569,826	-	-	-	-	-	4,349,722
<u>\$ 3,640,003</u>	<u>\$ 121,077</u>	<u>\$ 43,205</u>	<u>\$ 2,658,573</u>	<u>\$ 47,451</u>	<u>\$ 542,225</u>	<u>\$ 26,917,476</u>
\$ 97,552	\$ -	\$ 16,616	\$ 6,466	\$ 3,735	\$ 5,544	\$ 1,740,088
-	-	-	-	7,050	-	205,339
25,863	-	4,964	67,209	33,567	-	300,869
-	-	-	-	-	-	10,890
646,411	8,601	-	2,425,196	-	-	3,080,208
-	-	-	-	-	-	321,621
2,870,177	-	-	-	-	-	4,383,415
<u>3,640,003</u>	<u>8,601</u>	<u>21,580</u>	<u>2,498,871</u>	<u>44,352</u>	<u>5,544</u>	<u>10,042,430</u>
-	-	-	-	-	-	2,284,094
-	-	-	-	-	-	67,806
-	-	10,000	159,702	3,099	-	6,976,602
-	112,476	11,625	-	-	536,681	7,546,544
<u>-</u>	<u>112,476</u>	<u>21,625</u>	<u>159,702</u>	<u>3,099</u>	<u>536,681</u>	<u>16,875,046</u>
<u>\$ 3,640,003</u>	<u>\$ 121,077</u>	<u>\$ 43,205</u>	<u>\$ 2,658,573</u>	<u>\$ 47,451</u>	<u>\$ 542,225</u>	<u>\$ 26,917,476</u>

City of Lansing
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances - Nonmajor Special Revenue Funds
For the Year Ended June 30, 2007

	<u>Major Streets</u>	<u>Local Streets</u>	<u>Budget Stabilization</u>	<u>Drug Law Enforcement</u>	<u>State and Federal Programs</u>
Revenues					
Taxes and special assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Intergovernmental	7,017,363	1,881,464	-	(265,425)	6,823,442
Charges for services	372,883	578,453	-	-	2,280
Fines and forfeits	-	-	-	436,947	-
Interest	330,286	75,360	-	52,235	6,744
Contributions	-	-	-	4,500	-
Other	433,070	-	-	-	-
	<u>8,153,602</u>	<u>2,535,277</u>	<u>-</u>	<u>228,257</u>	<u>6,832,466</u>
Expenditures					
Current expenditures:					
General government	-	-	-	-	-
Public safety	-	-	-	689,885	-
Highways and streets	4,989,642	3,489,272	-	-	-
Recreation and culture	-	-	-	-	-
Other functions	-	-	-	-	7,229,444
Debt service:					
Principal	417,794	-	-	-	-
Interest	100,954	-	-	-	-
Capital outlay	2,431,320	2,005,016	-	-	-
	<u>7,939,710</u>	<u>5,494,288</u>	<u>-</u>	<u>689,885</u>	<u>7,229,444</u>
Total expenditures	<u>7,939,710</u>	<u>5,494,288</u>	<u>-</u>	<u>689,885</u>	<u>7,229,444</u>
Revenues over (under) expenditures	<u>213,892</u>	<u>(2,959,011)</u>	<u>-</u>	<u>(461,628)</u>	<u>(396,978)</u>
Other financing sources (uses)					
Transfers in	844,005	1,857,512	-	-	459,855
Transfers out	(1,473,177)	-	-	(20,000)	-
	<u>(629,172)</u>	<u>1,857,512</u>	<u>-</u>	<u>(20,000)</u>	<u>459,855</u>
Total other financing sources (uses)	<u>(629,172)</u>	<u>1,857,512</u>	<u>-</u>	<u>(20,000)</u>	<u>459,855</u>
Net change in fund balances	(415,280)	(1,101,499)	-	(481,628)	62,877
Fund balances, beginning of year	8,803,305	2,423,196	5,728,059	1,022,433	-
Fund balances, end of year	<u>\$ 8,388,025</u>	<u>\$ 1,321,697</u>	<u>\$ 5,728,059</u>	<u>\$ 540,805</u>	<u>\$ 62,877</u>

Community Development Block Grant Program	Stadium	Principal Shopping District	911 Communications Center	Building Department	Parks Department	Totals
\$ -	\$ -	\$ 417,080	\$ -	\$ -	\$ -	\$ 417,080
1,899,327	-	-	-	-	-	17,356,171
-	654,156	1,200	4,996,598	1,417,595	-	8,023,165
-	-	-	-	-	-	436,947
23,762	5,775	4,144	-	-	21,826	520,132
-	-	10,000	-	-	-	14,500
363,766	-	1,823	-	-	-	798,659
<u>2,286,855</u>	<u>659,931</u>	<u>434,247</u>	<u>4,996,598</u>	<u>1,417,595</u>	<u>21,826</u>	<u>27,566,654</u>
-	-	503,231	-	2,087,840	-	2,591,071
-	-	-	5,015,048	-	-	5,704,933
-	-	-	-	-	-	8,478,914
-	57,744	-	-	-	8,168	65,912
-	-	-	-	-	-	7,229,444
-	960,000	-	-	-	-	1,377,794
-	326,363	-	-	-	-	427,317
<u>2,286,855</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,723,191</u>
<u>2,286,855</u>	<u>1,344,107</u>	<u>503,231</u>	<u>5,015,048</u>	<u>2,087,840</u>	<u>8,168</u>	<u>32,598,576</u>
<u>-</u>	<u>(684,176)</u>	<u>(68,984)</u>	<u>(18,450)</u>	<u>(670,245)</u>	<u>13,658</u>	<u>(5,031,922)</u>
-	641,000	42,075	22,800	121,022	52	3,988,321
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,493,177)</u>
<u>-</u>	<u>641,000</u>	<u>42,075</u>	<u>22,800</u>	<u>121,022</u>	<u>52</u>	<u>2,495,144</u>
-	(43,176)	(26,909)	4,350	(549,223)	13,710	(2,536,778)
<u>-</u>	<u>155,652</u>	<u>48,534</u>	<u>155,352</u>	<u>552,322</u>	<u>522,971</u>	<u>19,411,824</u>
<u>\$ -</u>	<u>\$ 112,476</u>	<u>\$ 21,625</u>	<u>\$ 159,702</u>	<u>\$ 3,099</u>	<u>\$ 536,681</u>	<u>\$ 16,875,046</u>

City of Lansing
Schedule of Revenues, Expenditures and Changes in
Fund Balances - Budget and Actual - Nonmajor Special Revenue Funds
For the Year Ended June 30, 2007

	Major Streets		
	Budget	Actual	Variance with Budget
Revenues			
Taxes and special assessments	\$ -	\$ -	\$ -
Intergovernmental	7,031,343	7,017,363	13,980
Charges for services	300,000	372,883	(72,883)
Fines and forfeits	-	-	-
Interest	30,000	330,286	(300,286)
Contributions	-	-	-
Other	398,000	433,070	(35,070)
Total revenues	7,759,343	8,153,602	(394,259)
Expenditures			
Current expenditures:			
General government	-	-	-
Public safety	-	-	-
Highways and streets	7,547,321	4,989,642	2,557,679
Recreation and culture	-	-	-
Other functions	-	-	-
Debt service:			
Principal	417,795	417,794	1
Interest	101,704	100,954	750
Capital outlay	7,910,569	2,431,320	5,479,249
Total expenditures	15,977,389	7,939,710	8,037,679
Revenues over (under) expenditures	(8,218,046)	213,892	(8,431,938)
Other financing sources (uses)			
Transfers in	1,663,091	844,005	819,086
Transfers out	(1,473,177)	(1,473,177)	-
Total other financing sources (uses)	189,914	(629,172)	819,086
Net change in fund balances	(8,028,132)	(415,280)	(7,612,852)
Fund balances, beginning of year	8,803,305	8,803,305	-
Fund balances, end of year	\$ 775,173	\$ 8,388,025	\$ (7,612,852)

Local Streets			Budget Stabilization		
Budget	Actual	Variance with Budget	Budget	Actual	Variance with Budget
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
1,857,056	1,881,464	(24,408)	-	-	-
300,000	578,453	(278,453)	-	-	-
-	-	-	-	-	-
10,000	75,360	(65,360)	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
2,167,056	2,535,277	(368,221)	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
3,977,659	3,489,272	488,387	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
4,269,541	2,005,016	2,264,525	-	-	-
8,247,200	5,494,288	2,752,912	-	-	-
(6,080,144)	(2,959,011)	(3,121,133)	-	-	-
4,216,887	1,857,512	2,359,375	-	-	-
-	-	-	(1,638,918)	-	(1,638,918)
4,216,887	1,857,512	2,359,375	(1,638,918)	-	(1,638,918)
(1,863,257)	(1,101,499)	(761,758)	(1,638,918)	-	(1,638,918)
2,423,196	2,423,196	-	5,728,059	5,728,059	-
\$ 559,939	\$ 1,321,697	\$ (761,758)	\$ 4,089,141	\$ 5,728,059	\$ (1,638,918)

City of Lansing

Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual - Nonmajor Special Revenue Funds (Continued) For the Year Ended June 30, 2007

	Drug Law Enforcement		
	Budget	Actual	Variance with Budget
Revenues			
Taxes and special assessments	\$ -	\$ -	\$ -
Intergovernmental	-	(265,425)	265,425
Charges for services	-	-	-
Fines and forfeits	445,000	436,947	8,053
Interest	25,000	52,235	(27,235)
Contributions	-	4,500	(4,500)
Other	-	-	-
Total revenues	<u>470,000</u>	<u>228,257</u>	<u>241,743</u>
Expenditures			
Current expenditures:			
General government	-	-	-
Public safety	781,980	689,885	92,095
Highways and streets	-	-	-
Recreation and culture	-	-	-
Other functions	-	-	-
Debt service:			
Principal	-	-	-
Interest	-	-	-
Capital outlay	-	-	-
Total expenditures	<u>781,980</u>	<u>689,885</u>	<u>92,095</u>
Revenues over (under) expenditures	<u>(311,980)</u>	<u>(461,628)</u>	<u>149,648</u>
Other financing sources (uses)			
Transfers in	-	-	-
Transfers out	(20,000)	(20,000)	-
Total other financing sources (uses)	<u>(20,000)</u>	<u>(20,000)</u>	<u>-</u>
Net change in fund balances	(331,980)	(481,628)	149,648
Fund balances, beginning of year	<u>1,022,433</u>	<u>1,022,433</u>	<u>-</u>
Fund balances, end of year	<u>\$ 690,453</u>	<u>\$ 540,805</u>	<u>\$ 149,648</u>

State and Federal Programs			Community Development Block Grant Program		
Budget	Actual	Variance with Budget	Budget	Actual	Variance with Budget
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
21,486,170	6,823,442	14,662,728	2,904,391	1,899,327	1,005,064
6,000	2,280	3,720	-	-	-
-	-	-	-	-	-
-	6,744	(6,744)	-	23,762	(23,762)
-	-	-	-	-	-
-	-	-	802,158	363,766	438,392
<u>21,492,170</u>	<u>6,832,466</u>	<u>14,659,704</u>	<u>3,706,550</u>	<u>2,286,855</u>	<u>1,419,695</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
27,028,798	7,229,444	19,799,354	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	3,706,550	2,286,855	1,419,695
<u>27,028,798</u>	<u>7,229,444</u>	<u>19,799,354</u>	<u>3,706,550</u>	<u>2,286,855</u>	<u>1,419,695</u>
<u>(5,536,627)</u>	<u>(396,978)</u>	<u>(5,139,649)</u>	-	-	-
647,686	459,855	187,831	-	-	-
-	-	-	-	-	-
<u>647,686</u>	<u>459,855</u>	<u>187,831</u>	-	-	-
(4,888,942)	62,877	(4,951,819)	-	-	-
-	-	-	-	-	-
<u>\$ (4,888,942)</u>	<u>\$ 62,877</u>	<u>\$ (4,951,819)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

City of Lansing
Schedule of Revenues, Expenditures and Changes in
Fund Balances - Budget and Actual - Nonmajor Special Revenue Funds (Continued)
For the Year Ended June 30, 2007

	Stadium		
	Budget	Actual	Variance with Budget
Revenues			
Taxes and special assessments	\$ -	\$ -	\$ -
Intergovernmental	-	-	-
Charges for services	613,250	654,156	(40,906)
Fines and forfeits	-	-	-
Interest	4,000	5,775	(1,775)
Contributions	-	-	-
Other	-	-	-
Total revenues	<u>617,250</u>	<u>659,931</u>	<u>(42,681)</u>
Expenditures			
Current expenditures:			
General government	-	-	-
Public safety	-	-	-
Highways and streets	-	-	-
Recreation and culture	57,744	57,744	-
Other functions	-	-	-
Debt service:			
Principal	960,000	960,000	-
Interest	326,690	326,363	327
Capital outlay	-	-	-
Total expenditures	<u>1,344,434</u>	<u>1,344,107</u>	<u>327</u>
Revenues over (under) expenditures	<u>(727,184)</u>	<u>(684,176)</u>	<u>(43,008)</u>
Other financing sources (uses)			
Transfers in	641,000	641,000	-
Transfers out	-	-	-
Total other financing sources (uses)	<u>641,000</u>	<u>641,000</u>	<u>-</u>
Net change in fund balances	(86,184)	(43,176)	(43,008)
Fund balances, beginning of year	<u>155,652</u>	<u>155,652</u>	<u>-</u>
Fund balances, end of year	<u><u>\$ 69,468</u></u>	<u><u>\$ 112,476</u></u>	<u><u>\$ (43,008)</u></u>

Principal Shopping District			911 Communications Center		
Budget	Actual	Variance with Budget	Budget	Actual	Variance with Budget
\$ 418,229	\$ 417,080	\$ 1,149	\$ -	\$ -	\$ -
-	-	-	-	-	-
1,000	1,200	(200)	5,074,900	4,996,598	78,302
-	-	-	-	-	-
500	4,144	(3,644)	-	-	-
10,000	10,000	-	-	-	-
4,000	1,823	2,177	24,500	-	24,500
433,729	434,247	(518)	5,099,400	4,996,598	102,802
515,326	503,231	12,095	-	-	-
-	-	-	5,278,250	5,015,048	263,202
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
515,326	503,231	12,095	5,278,250	5,015,048	263,202
(81,597)	(68,984)	(12,613)	(178,850)	(18,450)	(160,400)
42,075	42,075	-	22,800	22,800	-
-	-	-	-	-	-
42,075	42,075	-	22,800	22,800	-
(39,522)	(26,909)	(12,613)	(156,050)	4,350	(160,400)
48,534	48,534	-	155,352	155,352	-
\$ 9,012	\$ 21,625	\$ (12,613)	\$ (698)	\$ 159,702	\$ (160,400)

City of Lansing
Schedule of Revenues, Expenditures and Changes in
Fund Balances - Budget and Actual - Nonmajor Special Revenue Funds (Concluded)
For the Year Ended June 30, 2007

	Building Department		
	Budget	Actual	Variance with Budget
Revenues			
Taxes and special assessments	\$ -	\$ -	\$ -
Intergovernmental	-	-	-
Charges for services	1,730,178	1,417,595	312,583
Fines and forfeits	-	-	-
Interest	-	-	-
Contributions	-	-	-
Other	-	-	-
Total revenues	<u>1,730,178</u>	<u>1,417,595</u>	<u>312,583</u>
Expenditures			
Current expenditures:			
General government	2,268,363	2,087,840	180,523
Public safety	-	-	-
Highways and streets	-	-	-
Recreation and culture	-	-	-
Other functions	-	-	-
Debt service:			
Principal	-	-	-
Interest	-	-	-
Capital outlay	-	-	-
Total expenditures	<u>2,268,363</u>	<u>2,087,840</u>	<u>180,523</u>
Revenues over (under) expenditures	<u>(538,185)</u>	<u>(670,245)</u>	<u>132,060</u>
Other financing sources (uses)			
Transfers in	121,022	121,022	-
Transfers out	-	-	-
Total other financing sources (uses)	<u>121,022</u>	<u>121,022</u>	<u>-</u>
Net change in fund balances	(417,163)	(549,223)	132,060
Fund balances, beginning of year	<u>552,322</u>	<u>552,322</u>	<u>-</u>
Fund balances, end of year	<u><u>\$ 135,159</u></u>	<u><u>\$ 3,099</u></u>	<u><u>\$ 132,060</u></u>

Parks Department			Totals		
Budget	Actual	Variance with Budget	Budget	Actual	Variance with Budget
\$ -	\$ -	\$ -	\$ 418,229	\$ 417,080	\$ 1,149
-	-	-	33,278,961	17,356,171	15,922,790
-	-	-	8,025,328	8,023,165	2,163
-	-	-	445,000	436,947	8,053
-	21,826	(21,826)	69,500	520,132	(450,632)
-	-	-	10,000	14,500	(4,500)
-	-	-	1,228,658	798,659	429,999
-	21,826	(21,826)	43,475,676	27,566,654	(15,909,022)
-	-	-	2,783,689	2,591,071	192,618
-	-	-	6,060,230	5,704,933	355,297
-	-	-	11,524,980	8,478,914	3,046,066
88,691	8,168	80,523	146,435	65,912	80,523
-	-	-	27,028,798	7,229,444	19,799,354
-	-	-	1,377,795	1,377,794	1
-	-	-	428,394	427,317	1,077
-	-	-	15,886,660	6,723,191	9,163,469
88,691	8,168	80,523	65,236,980	32,598,576	32,638,404
(88,691)	13,658	(102,349)	(21,761,304)	(5,031,922)	16,729,382
-	52	(52)	7,354,561	3,988,321	3,366,240
-	-	-	(3,132,095)	(1,493,177)	(1,638,918)
-	52	(52)	4,222,466	2,495,144	1,727,322
(88,691)	13,710	(102,401)	(17,538,838)	(2,536,778)	15,002,060
522,971	522,971	-	19,411,824	19,411,824	-
\$ 434,280	\$ 536,681	\$ (102,401)	\$ 1,872,986	\$ 16,875,046	\$ 15,002,060

Nonmajor Debt Service Funds

1990 Special Assessments Fund – This fund accounts for the accumulation of resources for payment of the 1990 \$800,000 Special Assessment Bonds.

1996 Refunding Bonds Fund – This fund accounts for the accumulation of resources for payment of the 1996 \$10,800,000 Refunding Bonds.

1998 Building Authority Fund – This fund accounts for the accumulation of resources for payment of the 1998 \$2,175,000 Building Authority Bonds.

1999 Fire Station Fund – This fund accounts for the accumulation of resources for payment of the 1999 \$3,000,000 Unlimited Tax General Obligation Bonds.

2001 Fire Station Fund – This fund accounts for the accumulation of resources for the payment of the 2001 \$4,000,000 Unlimited Tax General Obligation Bonds.

City of Lansing
Combining Balance Sheet - Nonmajor Debt Service Funds
June 30, 2007

	1990 Special Assessments	1996 Refunding Bonds	1998 Building Authority	1999 Fire Station
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u>Assets</u>				
Cash and cash equivalents	\$ 5,564	\$ 4,049	\$ -	\$ 11,360
Equity in pooled cash	-	88,089	-	12,879
Special assessments receivable	1,369	-	-	-
Due from other funds	<u>-</u>	<u>-</u>	<u>3</u>	<u>-</u>
Total assets	<u><u>\$ 6,933</u></u>	<u><u>\$ 92,138</u></u>	<u><u>\$ 3</u></u>	<u><u>\$ 24,239</u></u>
<u>Liabilities and Fund Balances</u>				
Liabilities				
Interfund payables	\$ 3,769	\$ -	\$ -	\$ -
Deferred revenues	<u>1,369</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	5,138	-	-	-
Fund balances				
Unreserved, undesignated	<u>1,795</u>	<u>92,138</u>	<u>3</u>	<u>24,239</u>
Total liabilities and fund balances	<u><u>\$ 6,933</u></u>	<u><u>\$ 92,138</u></u>	<u><u>\$ 3</u></u>	<u><u>\$ 24,239</u></u>

2001 Fire Station	Totals
\$ 5,743	\$ 26,716
20,600	121,568
-	1,369
-	3
<u>\$ 26,343</u>	<u>\$ 149,656</u>

\$ -	\$ 3,769
-	1,369
-	5,138
<u>26,343</u>	<u>144,518</u>
<u>\$ 26,343</u>	<u>\$ 149,656</u>

City of Lansing
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances - Nonmajor Debt Service Funds
For the Year Ended June 30, 2007

	1990 Special Assessments	1996 Refunding Bonds	1998 Building Authority	1999 Fire Station
Revenues				
Taxes and special assessments	\$ 1,052	\$ 1,518,581	\$ -	\$ 284,050
Interest	98	67,335	-	12,715
Total revenues	1,150	1,585,916	-	296,765
Expenditures				
Debt service:				
Principal payments	15,000	1,335,000	100,000	155,000
Interest	1,625	222,991	69,837	132,892
Issuance costs	-	-	-	50,471
Total expenditures	16,625	1,557,991	169,837	338,363
Revenues over (under) expenditures	(15,475)	27,925	(169,837)	(41,598)
Other financing sources (uses)				
Transfers in	16,625	-	169,840	-
Issuance of long-term debt	-	-	-	1,780,000
Bond premium	-	-	-	69,668
Payment to escrow agent	-	-	-	(1,795,055)
Total other financing sources (uses)	16,625	-	169,840	54,613
Net change in fund balances	1,150	27,925	3	13,015
Fund balances, beginning of year	645	64,213	-	11,224
Fund balances, end of year	<u>\$ 1,795</u>	<u>\$ 92,138</u>	<u>\$ 3</u>	<u>\$ 24,239</u>

2001 Fire Station	Totals
\$ 305,565	\$ 2,109,248
13,599	93,747
319,164	2,202,995
145,000	1,750,000
160,565	587,910
-	50,471
305,565	2,388,381
13,599	(185,386)
-	186,465
-	1,780,000
-	69,668
-	(1,795,055)
-	241,078
13,599	55,692
12,744	88,826
\$ 26,343	\$ 144,518

Nonmajor Capital Projects Funds

1987 Street Improvements Fund – This fund accounts for the proceeds of the 1987 \$22,000,000 Unlimited Tax bonds.

1990 Environmental I Fund – This fund accounts for the proceeds of the 1990 \$7,000,000 Environmental bonds.

1990 Environmental II Fund – This fund accounts for the proceeds of the 1990 \$6,300,000 Environmental bonds.

Combined Sewer Overflow Fund – This fund accounts for the storm sewer portion of the combined sewer overflow bonds.

Special Assessments Fund – This fund is used to account for the financing of public improvements deemed to benefit the properties against which special assessments are levied.

1999 Fire Station Fund – This fund accounts for the proceeds of the 1999 \$3,000,000 Unlimited Tax General Obligation Bonds.

2001 Fire Station Fund – This fund accounts for the proceeds of the 2001 \$4,000,000 Unlimited Tax General Obligation Bonds.

Lansing Center Improvements Fund – This fund accounts for the proceeds of the 2006 \$4,000,000 Lansing Center Limited Tax Bonds.

2006 MTF Bonds Fund – This fund accounts for the proceeds of the 2006 \$1,600,000 Michigan Transportation Fund Limited Tax Bonds.

Other Capital Projects Fund – This fund accounts for miscellaneous capital projects.

City of Lansing
Combining Balance Sheet - Nonmajor Capital Projects Funds
June 30, 2007

	1987 Street Improve- ments	1990 Environ- mental I	1990 Environ- mental II	Combined Sewer Overflow
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
<u>Assets</u>				
Assets				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Equity in pooled cash	-	81,495	349,635	1,184,432
Special assessments receivable:				
Current	-	-	-	-
Deferred	-	-	-	-
Accrued interest receivable	-	-	-	-
Advances to other funds	-	-	-	-
Due from other governments	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u><u>\$ -</u></u>	<u><u>\$ 81,495</u></u>	<u><u>\$ 349,635</u></u>	<u><u>\$ 1,184,432</u></u>
<u>Liabilities and Fund Balances</u>				
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued payroll	-	-	-	-
Due to other funds	-	-	-	-
Advances from other funds	-	-	-	-
Deferred revenue	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	<u> -</u>	<u> -</u>	<u> -</u>	<u> -</u>
Fund balances				
Reserved for advances	-	-	-	-
Unreserved, undesignated (deficit)	-	81,495	349,635	1,184,432
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances (deficit)	<u> -</u>	<u> 81,495</u>	<u> 349,635</u>	<u> 1,184,432</u>
Total liabilities and fund balances	<u><u>\$ -</u></u>	<u><u>\$ 81,495</u></u>	<u><u>\$ 349,635</u></u>	<u><u>\$ 1,184,432</u></u>

<u>Special Assess- ments</u>	<u>1999 Fire Station</u>	<u>2001 Fire Station</u>	<u>Lansing Center Improvements</u>	<u>2006 MTF Bonds</u>	<u>Other</u>	<u>Totals</u>
\$ -	\$ -	\$ -	\$ -	\$ 5,764,033	\$ 564,131	\$ 6,328,164
-	-	-	2,370,666	-	9,937,289	13,923,517
353,051	-	-	-	-	-	353,051
715,769	-	-	-	-	-	715,769
-	-	769	-	18,599	-	19,368
-	-	-	-	-	192,439	192,439
1,070	-	-	-	-	-	1,070
<u>\$ 1,069,890</u>	<u>\$ -</u>	<u>\$ 769</u>	<u>\$ 2,370,666</u>	<u>\$ 5,782,632</u>	<u>\$ 10,693,859</u>	<u>\$ 21,533,378</u>
\$ 18,587	\$ -	\$ -	\$ 62,315	\$ -	\$ 875,993	\$ 956,895
-	-	-	-	-	1,903	1,903
-	-	769	-	212,246	-	213,015
474,997	-	-	-	-	-	474,997
715,769	-	-	-	-	-	715,769
<u>1,209,353</u>	<u>-</u>	<u>769</u>	<u>62,315</u>	<u>212,246</u>	<u>877,896</u>	<u>2,362,579</u>
-	-	-	-	-	192,439	192,439
(139,463)	-	-	2,308,351	5,570,386	9,623,524	18,978,360
(139,463)	-	-	2,308,351	5,570,386	9,815,963	19,170,799
<u>\$ 1,069,890</u>	<u>\$ -</u>	<u>\$ 769</u>	<u>\$ 2,370,666</u>	<u>\$ 5,782,632</u>	<u>\$ 10,693,859</u>	<u>\$ 21,533,378</u>

City of Lansing
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances - Nonmajor Capital Projects Funds
For the Year Ended June 30, 2007

	1987 Street Improve- ments	1990 Environ- mental I	1990 Environ- mental II	Combined Sewer Overflow
Revenues				
Special assessments	\$ -	\$ -	\$ -	\$ -
Charges for services	-	-	-	-
Interest	4,270	3,277	14,622	-
Donations from private sources	-	-	-	-
	<u>4,270</u>	<u>3,277</u>	<u>14,622</u>	<u>-</u>
Total revenues	4,270	3,277	14,622	-
Expenditures				
Capital outlay	-	-	20,735	220,149
	<u>-</u>	<u>-</u>	<u>20,735</u>	<u>220,149</u>
Revenues over (under) expenditures	4,270	3,277	(6,113)	(220,149)
	<u>4,270</u>	<u>3,277</u>	<u>(6,113)</u>	<u>(220,149)</u>
Other financing sources (uses)				
Transfers in	-	-	-	-
Transfers out	(106,216)	-	-	-
Issuance of long-term debt	-	-	-	-
Bond premium	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources	(106,216)	-	-	-
	<u>(106,216)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	(101,946)	3,277	(6,113)	(220,149)
	<u>(101,946)</u>	<u>3,277</u>	<u>(6,113)</u>	<u>(220,149)</u>
Fund balance (deficit), beginning of year	101,946	78,218	355,748	1,404,581
	<u>101,946</u>	<u>78,218</u>	<u>355,748</u>	<u>1,404,581</u>
Fund balance (deficit), end of year	<u>\$ -</u>	<u>\$ 81,495</u>	<u>\$ 349,635</u>	<u>\$ 1,184,432</u>

Special Assess- ments	1999 Fire Station	2001 Fire Station	Lansing Center Improvements	2006 MTF Bonds	Other	Totals
\$ 310,823	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 310,823
-	-	-	-	-	38,837	38,837
-	157	13,355	124,442	102,758	227,367	490,248
-	-	-	-	-	114,954	114,954
310,823	157	13,355	124,442	102,758	381,158	954,862
116,373	157	15,658	1,038,277	99,694	11,767,425	13,278,468
194,450	-	(2,303)	(913,835)	3,064	(11,386,267)	(12,323,606)
-	-	-	-	-	2,095,684	2,095,684
-	-	-	-	(784,124)	(563,774)	(1,454,114)
-	-	-	-	4,740,000	10,191,227	14,931,227
-	-	-	-	204,237	-	204,237
-	-	-	-	4,160,113	11,723,137	15,777,034
194,450	-	(2,303)	(913,835)	4,163,177	336,870	3,453,428
(333,913)	-	2,303	3,222,186	1,407,209	9,479,093	15,717,371
<u>\$ (139,463)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,308,351</u>	<u>\$ 5,570,386</u>	<u>\$ 9,815,963</u>	<u>\$ 19,170,799</u>

Permanent Funds

Cemetery Perpetual Care Fund – This fund accounts for transfers from the Cemetery Fund, representing 15% of lot sales. These funds are invested, and all investment earnings are transferred to the Cemetery Fund for lot maintenance.

Parks Trust Fund – This fund accounts for contributions made for City parks, the principal of which must be preserved in accordance with the trust indentures. Income derived from these contributions is transferred to the Parks Department special revenue fund.

City of Lansing
Combining Balance Sheet - Nonmajor Permanent Funds
June 30, 2007

	<u>Cemetery Perpetual Care</u>	<u>Parks Trust</u>	<u>Totals</u>
<u>Assets</u>			
Assets			
Equity in pooled cash	\$ -	\$ 1,250	\$ 1,250
Investments	1,540,000	-	1,540,000
Accrued interest receivable	78,868	-	78,868
	<u> </u>	<u> </u>	<u> </u>
Total assets	<u><u>\$ 1,618,868</u></u>	<u><u>\$ 1,250</u></u>	<u><u>\$ 1,620,118</u></u>
 <u>Liabilities and Fund Balances</u>			
Liabilities			
Interfund payables	\$ 23,179	\$ -	\$ 23,179
Fund balances			
Unreserved, undesignated	<u>1,595,689</u>	<u>1,250</u>	<u>1,596,939</u>
	<u> </u>	<u> </u>	<u> </u>
Total liabilities and fund balances	<u><u>\$ 1,618,868</u></u>	<u><u>\$ 1,250</u></u>	<u><u>\$ 1,620,118</u></u>

City of Lansing
Combining Statement of Revenues, Expenditures and
Changes in Fund Balances - Nonmajor Permanent Funds
For the Year Ended June 30, 2007

	Cemetery Perpetual Care	Parks Trust	Totals
Revenues			
Interest	\$ 93,798	\$ 52	\$ 93,850
Other financing sources (uses)			
Transfers in	19,789	-	19,789
Transfers out	(93,798)	(52)	(93,850)
Total other financing sources (uses)	(74,009)	(52)	(74,061)
Net change in fund balances	19,789	-	19,789
Fund balances, beginning of year	1,575,900	1,250	1,577,150
Fund balances, end of year	<u><u>\$ 1,595,689</u></u>	<u><u>\$ 1,250</u></u>	<u><u>\$ 1,596,939</u></u>

Nonmajor Enterprise Funds

Cemetery Fund – This fund accounts for the operation of City-owned cemeteries.

Golf Fund – This fund accounts for the operation of the City-owned golf courses.

Garbage and Rubbish Collection Fund – This fund accounts for the provision of household solid waste disposal services to participating residents of the City.

Recycling Fund – This fund accounts for the provision of recycling services to participating residents of the City.

Potter Park Zoo Fund – This fund accounts for the operations of the Potter Park Zoo.

City of Lansing
Combining Statement of Net Assets - Nonmajor Enterprise Funds
June 30, 2007

	<u>Cemetery</u>	<u>Golf</u>	<u>Garbage and Rubbish Collection</u>	<u>Recycling</u>
<u>Assets</u>				
Current assets:				
Cash and cash equivalents	\$ -	\$ 17,845	\$ 20,777	\$ -
Equity in pooled cash	195,135	-	-	1,312,676
Accounts receivable, net	-	98	210,522	8,492
Inventories	53,511	31,219	1,368	-
Total current assets	<u>248,646</u>	<u>49,162</u>	<u>232,667</u>	<u>1,321,168</u>
Noncurrent assets -				
Capital assets, net	<u>134,986</u>	<u>3,285,859</u>	<u>-</u>	<u>819,885</u>
Total assets	<u>383,632</u>	<u>3,335,021</u>	<u>232,667</u>	<u>2,141,053</u>
<u>Liabilities</u>				
Current liabilities:				
Accounts payable	3,659	25,911	29,970	16,522
Accrued interest payable	-	11,504	-	-
Accrued payroll	21,143	33,969	22,648	75,466
Interfund payable	-	324,269	42,866	-
Unearned revenues	-	30,228	74,590	-
Current portion of:				
Long-term debt	-	65,000	-	-
Compensated absences	10,620	37,074	30,597	33,747
Total current liabilities	<u>35,422</u>	<u>527,955</u>	<u>200,671</u>	<u>125,735</u>
Noncurrent liabilities:				
Long-term debt, net of current portion	-	765,917	-	-
Compensated absences	21,009	17,378	27,333	15,818
Total noncurrent liabilities	<u>21,009</u>	<u>783,295</u>	<u>27,333</u>	<u>15,818</u>
Total liabilities	<u>56,431</u>	<u>1,311,250</u>	<u>228,004</u>	<u>141,553</u>
<u>Net Assets</u>				
Invested in capital assets, net				
of related debt	134,986	2,454,942	-	819,885
Unrestricted (deficit)	<u>192,215</u>	<u>(431,171)</u>	<u>4,663</u>	<u>1,179,615</u>
Total net assets	<u>\$ 327,201</u>	<u>\$ 2,023,771</u>	<u>\$ 4,663</u>	<u>\$ 1,999,500</u>

Potter Park Zoo	Totals
\$ 16,575	\$ 55,197
237,139	1,744,950
-	219,112
-	86,098
<u>253,714</u>	<u>2,105,357</u>
 5,830,722	 10,071,452
<u>6,084,436</u>	<u>12,176,809</u>
 16,904	 92,966
-	11,504
47,588	200,814
-	367,135
-	104,818
-	65,000
143,578	255,616
<u>208,070</u>	<u>1,097,853</u>
 -	 765,917
45,644	127,182
<u>45,644</u>	<u>893,099</u>
 253,714	 1,990,952
 5,830,722	 9,240,535
<u>-</u>	<u>945,322</u>
<u>\$ 5,830,722</u>	<u>\$ 10,185,857</u>

City of Lansing
Combining Statement of Revenues, Expenses and
Changes in Fund Net Assets - Nonmajor Enterprise Funds
For the Year Ended June 30, 2007

	<u>Cemetery</u>	<u>Golf</u>	<u>Garbage and Rubbish Collection</u>	<u>Recycling</u>
Operating revenues				
Charges for services	<u>\$ 264,255</u>	<u>\$ 754,995</u>	<u>\$ 1,378,562</u>	<u>\$ 2,903,092</u>
Operating expenses				
Personal services	420,832	570,051	612,590	1,640,717
Contractual and materials	246,987	617,564	759,676	1,113,803
Depreciation	<u>24,691</u>	<u>122,545</u>	<u>-</u>	<u>22,548</u>
Total operating expenses	<u>692,510</u>	<u>1,310,160</u>	<u>1,372,266</u>	<u>2,777,068</u>
Operating income (loss)	<u>(428,255)</u>	<u>(555,165)</u>	<u>6,296</u>	<u>126,024</u>
Nonoperating revenues (expenses)				
Interest revenue	-	-	(1,634)	34,748
Interest expense and fees	<u>-</u>	<u>(47,848)</u>	<u>-</u>	<u>-</u>
Total nonoperating revenues (expenses)	<u>-</u>	<u>(47,848)</u>	<u>(1,634)</u>	<u>34,748</u>
Income (loss) before contributions and transfers	(428,255)	(603,013)	4,662	160,772
Capital contributions	-	4,075	-	-
Transfers in	458,979	551,112	90,770	52,727
Transfers out	<u>(19,789)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net assets	10,935	(47,826)	95,432	213,499
Net assets, beginning of year	<u>316,266</u>	<u>2,071,597</u>	<u>(90,769)</u>	<u>1,786,001</u>
Net assets, end of year	<u><u>\$ 327,201</u></u>	<u><u>\$ 2,023,771</u></u>	<u><u>\$ 4,663</u></u>	<u><u>\$ 1,999,500</u></u>

Potter Park Zoo	Totals
<u>\$ 553,999</u>	<u>\$ 5,854,903</u>
1,628,213	4,872,403
942,227	3,680,257
<u>397,796</u>	<u>567,580</u>
<u>2,968,236</u>	<u>9,120,240</u>
<u>(2,414,237)</u>	<u>(3,265,337)</u>
-	33,114
<u>-</u>	<u>(47,848)</u>
-	(14,734)
(2,414,237)	(3,280,071)
58,830	62,905
2,016,441	3,170,029
<u>-</u>	<u>(19,789)</u>
(338,966)	(66,926)
<u>6,169,688</u>	<u>10,252,783</u>
<u>\$ 5,830,722</u>	<u>\$ 10,185,857</u>

City of Lansing
Combining Statement of Cash Flows
Nonmajor Enterprise Funds
For the Year Ended June 30, 2007

	<u>Cemetery</u>	<u>Golf</u>	<u>Garbage and Rubbish Collection</u>	<u>Recycling</u>
Cash flows from operating activities				
Cash received from customers	\$ 264,255	\$ 760,545	\$ 1,373,189	\$ 2,904,480
Cash payments for goods and services	(247,135)	(620,010)	(836,480)	(1,161,055)
Cash payments to employees	(416,466)	(565,643)	(605,068)	(1,607,695)
Net cash provided (used) by operating activities	<u>(399,346)</u>	<u>(425,108)</u>	<u>(68,359)</u>	<u>135,730</u>
Cash flows from noncapital financing activities				
Transfers in	458,979	551,112	90,770	52,727
Transfers out	(19,789)	-	-	-
Net cash provided by noncapital financing activities	<u>439,190</u>	<u>551,112</u>	<u>90,770</u>	<u>52,727</u>
Cash flows from capital and related financing activities				
Acquisition of capital assets	-	(16,537)	-	-
Capital contributions received	-	4,075	-	-
Principal paid on bonds	-	(60,000)	-	-
Interest paid on bonds	-	(47,065)	-	-
Net cash used for capital and related financing activities	<u>-</u>	<u>(119,527)</u>	<u>-</u>	<u>-</u>
Cash flows from investing activities				
Interest and dividends	-	-	(1,634)	34,748
Net increase in cash and cash equivalents	39,844	6,477	20,777	223,205
Cash and cash equivalents:				
Beginning of year	<u>155,291</u>	<u>11,368</u>	<u>-</u>	<u>1,089,471</u>
End of year	<u><u>\$ 195,135</u></u>	<u><u>\$ 17,845</u></u>	<u><u>\$ 20,777</u></u>	<u><u>\$ 1,312,676</u></u>

Potter Park Zoo	Totals
\$ 553,999	\$ 5,856,468
(902,856)	(3,767,536)
<u>(1,626,870)</u>	<u>(4,821,742)</u>
<u>(1,975,727)</u>	<u>(2,732,810)</u>
2,016,441	3,170,029
<u>-</u>	<u>(19,789)</u>
<u>2,016,441</u>	<u>3,150,240</u>
(58,830)	(75,367)
58,830	62,905
-	(60,000)
<u>-</u>	<u>(47,065)</u>
<u>-</u>	<u>(119,527)</u>
<u>-</u>	<u>33,114</u>
40,714	331,017
<u>213,000</u>	<u>1,469,130</u>
<u>\$ 253,714</u>	<u>\$ 1,800,147</u>

continued...

City of Lansing
Combining Statement of Cash Flows (concluded)
Nonmajor Enterprise Funds
For the Year Ended June 30, 2007

	<u>Cemetery</u>	<u>Golf</u>	<u>Garbage and Rubbish Collection</u>	<u>Recycling</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income (loss)	\$ (428,255)	\$ (555,165)	\$ 6,296	\$ 126,024
Adjustments to reconcile operating income (loss) to net cash from operating activities:				
Depreciation expense	24,691	122,545	-	22,548
Changes in assets and liabilities:				
Accounts receivable	-	5,550	(5,373)	1,388
Inventories	2,896	6,758	571	-
Accounts payable	1,274	19,935	(48,166)	(5,703)
Accrued interest payable	-	(750)	-	-
Accrued payroll	4,366	4,408	7,522	33,022
Interfund payable	-	(36,822)	(22,622)	-
Unearned revenues	-	(7,459)	11,761	-
Compensated absences	(4,318)	15,892	(18,348)	(41,549)
Net cash provided (used) by operating activities	<u><u>\$ (399,346)</u></u>	<u><u>\$ (425,108)</u></u>	<u><u>\$ (68,359)</u></u>	<u><u>\$ 135,730</u></u>

<u>Potter Park Zoo</u>	<u>Totals</u>
\$ (2,414,237)	\$ (3,265,337)
397,796	567,580
-	1,565
-	10,225
(9,513)	(42,173)
-	(750)
1,343	50,661
-	(59,444)
-	4,302
<u>48,884</u>	<u>561</u>
<u><u>\$ (1,975,727)</u></u>	<u><u>\$ (2,732,810)</u></u>

Internal Service Funds

Fleet Maintenance Fund – This fund accounts for the costs of maintaining the City's fleet of vehicles and heavy equipment.

Fringe Benefits Fund – This fund accounts for the costs of the City's fringe benefits.

Engineering Fund – This fund accounts for the operations of the City's engineering department.

City of Lansing
Combining Statement of Net Assets
Internal Service Funds
June 30, 2007

	<u>Fleet Maintenance</u>	<u>Fringe Benefits</u>	<u>Engineering</u>	<u>Totals</u>
Assets				
Current assets:				
Equity in pooled cash	\$ 1,213,736	\$ -	\$ 176,237	\$ 1,213,736
Receivables:				
Accounts, net	444	-	-	444
Inventories	672,179	-	-	672,179
Prepays	-	565,420	-	565,420
Due from other funds	-	10,000	-	10,000
Interfund receivable	2,440,582	2,459,602	-	4,900,184
Total current assets	<u>4,326,941</u>	<u>3,035,022</u>	<u>176,237</u>	<u>7,361,963</u>
Noncurrent assets:				
Issuance costs	5,667	-	-	5,667
Capital assets, net	7,540,211	-	-	7,540,211
Total non-current assets	<u>7,545,878</u>	<u>-</u>	<u>-</u>	<u>7,545,878</u>
Total assets	<u>11,872,819</u>	<u>3,035,022</u>	<u>176,237</u>	<u>14,907,841</u>
Liabilities				
Current liabilities:				
Accounts payable	92,659	14,175	11,655	106,834
Accrued interest payable	23,094	-	-	23,094
Accrued payroll	84,382	37,193	38,196	121,575
Other	-	582,312	-	582,312
Current portion of:				
Long-term debt	125,000	-	-	125,000
Compensated absences	114,340	-	86,052	114,340
Total current liabilities	<u>439,475</u>	<u>633,680</u>	<u>135,903</u>	<u>1,073,155</u>
Noncurrent liabilities:				
Long-term debt, net of current portions	1,170,000	-	-	1,170,000
Compensated absences	64,064	-	40,334	64,064
Total non-current liabilities	<u>1,234,064</u>	<u>-</u>	<u>40,334</u>	<u>1,234,064</u>
Total liabilities	<u>1,673,539</u>	<u>633,680</u>	<u>176,237</u>	<u>2,307,219</u>
Net assets				
Invested in capital assets, net of related debt	6,245,211	-	-	6,245,211
Unrestricted	3,954,069	2,401,342	-	6,355,411
Total net assets	<u>\$ 10,199,280</u>	<u>\$ 2,401,342</u>	<u>\$ -</u>	<u>\$ 12,600,622</u>

City of Lansing
Combining Statement of Revenues, Expenses
and Changes in Fund Net Assets
Internal Service Funds
For the Year Ended June 30, 2007

	Fleet Maintenance	Fringe Benefits	Engineering	Totals
Operating revenues				
Charges for services	\$ 6,346,257	\$ 48,916,279	\$ 2,806,053	\$ 58,068,589
Operating expenses				
Personal services	3,170,062	48,308	1,887,978	5,106,348
Purchase of goods and services	2,197,554	47,030,189	918,075	50,145,818
Depreciation	1,638,317	-	-	1,638,317
Total operating expenses	7,005,933	47,078,497	2,806,053	56,890,483
Operating income (loss)	(659,676)	1,837,782	-	1,178,106
Nonoperating revenues (expenses)				
Gain on sale of capital assets	88,605	-	-	88,605
Interest expense and fees	(74,038)	-	-	(74,038)
Total nonoperating expenses	14,567	-	-	14,567
Income (loss) before contributions and transfers	(645,109)	1,837,782	-	1,192,673
Capital contributions	3,175,958	-	-	3,175,958
Transfers in	162,000	-	-	162,000
Change in net assets	2,692,849	1,837,782	-	4,530,631
Net assets, beginning of year	7,506,431	563,560	-	8,069,991
Net assets, end of year	<u>\$ 10,199,280</u>	<u>\$ 2,401,342</u>	<u>\$ -</u>	<u>\$ 12,600,622</u>

City of Lansing
Combining Statement of Cash Flows
Internal Service Funds
For the Year Ended June 30, 2007

	<u>Fleet Maintenance</u>	<u>Fringe Benefits</u>	<u>Engineering</u>	<u>Totals</u>
Cash flows from operating activities				
Cash received from interfund services	\$ 5,183,540	\$ 47,157,752	\$ 2,806,053	\$ 52,341,292
Cash payments for goods and services	(2,482,844)	(47,146,637)	(780,034)	(49,629,481)
Cash payments to employees	<u>(3,122,632)</u>	<u>(11,115)</u>	<u>(1,849,782)</u>	<u>(3,133,747)</u>
Net cash provided (used) by operating activities	<u>(421,936)</u>	<u>-</u>	<u>176,237</u>	<u>(421,936)</u>
Cash flows from noncapital financing activities				
Transfers in	<u>162,000</u>	<u>-</u>	<u>-</u>	<u>162,000</u>
Cash flows from capital and related financing activities				
Proceeds from sale of capital assets	95,052	-	-	95,052
Acquisition and construction of capital assets	(4,382,249)	-	-	(4,382,249)
Capital contributions received	3,175,958	-	-	3,175,958
Principal paid on revenue and general obligation bonds	(115,000)	-	-	(115,000)
Interest paid on revenue and general obligation bonds	<u>(73,384)</u>	<u>-</u>	<u>-</u>	<u>(73,384)</u>
Net cash used for capital and related financing activities	<u>(1,299,623)</u>	<u>-</u>	<u>-</u>	<u>(1,299,623)</u>
Net increase (decrease) in cash and cash equivalents	(1,559,559)	-	176,237	(1,559,559)
Cash and cash equivalents, beginning of year	<u>2,773,295</u>	<u>-</u>	<u>-</u>	<u>2,773,295</u>
Cash and cash equivalents, end of year	<u><u>\$ 1,213,736</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 176,237</u></u>	<u><u>\$ 1,213,736</u></u>
Reconciliation of operating income (loss) to net cash provided by (used for) operating activities				
Operating income (loss)	<u>\$ (659,676)</u>	<u>\$ 1,837,782</u>	<u>\$ -</u>	<u>\$ 1,178,106</u>
Adjustments to reconcile operating income (loss) to net cash provided by (used for) operating activities				
Depreciation expense	1,638,317	-	-	1,638,317
Change in:				
Accounts receivable	(444)	701,075	-	700,631
Inventories	(400,383)	-	-	(400,383)
Prepays	-	(16,185)	-	(16,185)
Interfund receivable	(1,162,273)	(2,459,602)	-	(3,621,875)
Accounts payable	57,107	14,175	11,655	71,282
Accrued interest payable	(2,051)	-	-	(2,051)
Accrued payroll	47,430	37,193	38,196	84,623
Other	-	(114,438)	-	(114,438)
Compensated absences	<u>60,037</u>	<u>-</u>	<u>126,386</u>	<u>60,037</u>
Total adjustments	<u>237,740</u>	<u>(1,837,782)</u>	<u>176,237</u>	<u>(1,600,042)</u>
Net cash provided by (used for) operating activities	<u><u>\$ (421,936)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 176,237</u></u>	<u><u>\$ (421,936)</u></u>

Agency Funds

Bail Bonds Fund – This fund is used to hold cash received by the District Court for bail bonds.

Garnishment, Indemnity Bond and Restitution Fund – This fund is used to hold cash received by the District Court for garnishment payments until claimed, and to hold indemnity bonds deposited relating to civil disputes until the Court rules on the case.

City of Lansing
Combining Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2007

	54-A District Court		
	Bail Bonds	Garnishment, Indemnity Bond and Restitution	Totals
Assets			
Cash and cash equivalents	\$ -	\$ -	\$ -
Equity in pooled cash	167,496	9,053	176,549
Total assets	<u>\$ 167,496</u>	<u>\$ 9,053</u>	<u>\$ 176,549</u>
Liabilities			
Undistributed receipts	<u>\$ 167,496</u>	<u>\$ 9,053</u>	<u>\$ 176,549</u>

City of Lansing
Combining Statement of Changes in Fiduciary Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2007

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
54-A District Court - Bail Bonds				
Assets				
Cash and cash equivalents	\$ 102,124	\$ -	\$ 102,124	\$ -
Equity in pooled cash	<u>134,004</u>	<u>550,352</u>	<u>516,860</u>	<u>167,496</u>
Total assets	<u>\$ 236,128</u>	<u>\$ 550,352</u>	<u>\$ 618,984</u>	<u>\$ 167,496</u>
Liabilities				
Undistributed receipts	<u>\$ 236,128</u>	<u>\$ 550,352</u>	<u>\$ 618,984</u>	<u>\$ 167,496</u>
54-A District Court - Garnishment, Indemnity Bond and Restitution				
Assets				
Cash and cash equivalents	\$ 16,573	\$ -	\$ 16,573	\$ -
Equity in pooled cash	<u>5,678</u>	<u>126,320</u>	<u>122,945</u>	<u>9,053</u>
Total assets	<u>\$ 22,251</u>	<u>\$ 126,320</u>	<u>\$ 139,518</u>	<u>\$ 9,053</u>
Liabilities				
Undistributed receipts	<u>\$ 22,251</u>	<u>\$ 126,320</u>	<u>\$ 139,518</u>	<u>\$ 9,053</u>
Total - All Agency Funds				
Assets				
Cash and cash equivalents	\$ 118,697	\$ -	\$ 118,697	\$ -
Equity in pooled cash	<u>139,682</u>	<u>676,672</u>	<u>639,805</u>	<u>176,549</u>
Total assets	<u>\$ 258,379</u>	<u>\$ 676,672</u>	<u>\$ 758,502</u>	<u>\$ 176,549</u>
Liabilities				
Undistributed receipts	<u>\$ 258,379</u>	<u>\$ 676,672</u>	<u>\$ 758,502</u>	<u>\$ 176,549</u>

STATISTICAL SECTION

STATISTICAL SECTION

This part of the City of Lansing's comprehensive annual financial report presents detailed information as a context for understanding what the information in the financial statements, note disclosures, and requires supplementary information says about the city's overall financial health

Contents	Pages
Financial Trends <i>These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.</i>	104-107
Revenue Capacity <i>These schedules contain information to help the reader assess the factors affecting the City's ability to generate its property taxes.</i>	108-112
Debt Capacity <i>These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the city's ability to issue additional debt in the future.</i>	113-117
Demographic and Economic Information <i>These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place and to help make comparisons over time and with other governments.</i>	118-119
Operating Information <i>These schedules contain information about the City's operations and resources to help the reader understand how the City's financial information relates to the services the City provides and the activities it performs.</i>	120-122

Sources: Unless otherwise noted, the information in these schedules is derived from the comprehensive annual financial reports for the relevant year. The city implemented Statement 34 in 2002; schedules presenting government-wide information include information beginning in that year.

Schedule 1
City of Lansing
Net Assets by Component
Last Six Fiscal Years
(accrual basis of accounting)

	Fiscal Year					
	2007	2006	2005	2004	2003	2002
	(2)					
Governmental activities						
Invested in capital assets, net of related debt	\$184,133,012	\$190,243,447	\$198,338,788	\$197,530,605	\$193,545,003	\$176,742,875
Restricted	37,642,784	36,706,345	33,900,657		6,370	172,111
Unrestricted	2,793,433	514,601	1,632,040	15,331,622	20,363,235	39,491,342
Total governmental activities net assets	<u>224,569,229</u>	<u>227,464,393</u>	<u>233,871,485</u>	<u>212,862,227</u>	<u>213,914,608</u>	<u>216,406,328</u>
Business-type activities						
Invested in capital assets, net of related debt	166,320,408	161,324,071	163,834,290	138,830,169	163,715,373	154,922,603
Restricted	35,777,715	35,945,848	39,493,526	718,828	1,039,093	2,105,762
Unrestricted	28,929,677	28,208,193	22,701,430	64,268,351	35,649,876	36,078,930
Total business-type activities net assets	<u>231,027,800</u>	<u>225,478,112</u>	<u>226,029,246</u>	<u>203,817,348</u>	<u>200,404,342</u>	<u>193,107,295</u>
Primary government						
Invested in capital assets, net of related debt	350,453,420	351,567,518	362,173,078	336,360,774	357,260,376	331,665,478
Restricted	73,420,499	72,652,193	73,394,183	718,828	1,045,463	2,277,873
Unrestricted	31,723,110	28,722,794	24,333,470	79,599,973	56,013,111	75,570,272
Total primary government net assets	<u>\$455,597,029</u>	<u>\$452,942,505</u>	<u>\$459,900,731</u>	<u>\$416,679,575</u>	<u>\$414,318,950</u>	<u>\$409,513,623</u>

(1) no discretely presented component units shown

(2) in 2005 the City's definition of "restricted net assets" was changed to include assets in funds set up to account for activities outside of the General Fund, for Governmental Activities, and to include restricted cash for debt retirement for Business Type Activities.

(3) six years are reported back to the date of GASB 34 implementation

Schedule 2
City of Lansing
Changes in Net Assets
Last Six Fiscal Years
(accrual basis of accounting)

	2007	2006	Fiscal Year 2005	2004	2003	2002
Expenses						
Governmental activities:						
General government	\$22,043,282	\$34,375,762	\$53,533,838	\$53,353,559	\$54,386,814	\$48,907,951
Public safety	62,570,888	60,047,271	38,668,349	41,292,750	36,998,022	37,442,294
Public works	40,517,063	31,790,944	30,670,483	22,118,173	23,740,767	22,332,626
Recreation and culture	6,198,462	7,881,212	5,464,143	7,979,953	8,055,078	6,790,347
Community development	6,232,406	7,124,491	6,996,000	8,387,559	9,647,696	8,960,204
Interest on long-term debt	1,658,709	1,197,851	1,033,078	2,041,758	2,333,691	2,705,290
Total governmental activities expenses	139,220,810	142,417,531	136,365,891	135,173,752	135,162,068	127,138,712
Business-type activities						
Sewage disposal system	24,725,229	21,706,537	20,631,611	20,864,079	19,350,186	17,218,878
Municipal parking system	10,275,379	18,403,163	10,151,018	9,196,910	8,840,334	8,322,193
Cemetery	692,510	753,151	802,949	828,073	688,571	570,291
Golf	1,358,008	1,398,963	1,446,615	1,620,669	1,583,711	1,222,525
Garbage and rubbish collection	1,372,266	1,412,620	1,421,617	1,321,760	1,288,178	1,229,951
Recycling	2,777,068	2,981,730	2,862,003	2,768,307	2,642,541	2,437,371
Potter Park Zoo	2,968,236	2,718,759	2,690,943	2,542,065	2,228,724	1,778,059
Total business-type activities expenses	44,168,696	49,374,923	40,006,756	39,141,863	36,622,245	32,779,268
Total primary government expenses	183,389,506	\$191,792,454	\$176,372,647	\$174,315,615	\$171,784,313	\$159,917,980
Program Revenues						
Governmental activities:						
Charges for services:						
General government	6,251,032	6,416,850	6,264,142	4,686,901	4,611,471	1,908,603
Public safety	13,014,934	13,087,372	12,400,853	11,682,187	11,031,998	10,393,731
Public works	3,805,739	3,891,646	2,646,007	2,713,258	2,627,959	2,345,220
Recreation and culture	1,259,373	1,405,584	1,598,968	1,581,607	1,472,203	1,509,159
Community development	66,161	66,486	66,788			
Operating grants and contributions	16,524,178	16,158,496	16,673,481	15,746,181	15,968,081	17,980,993
Capital grants and contributions	2,179,870	3,659,169	3,479,536	3,033,891	1,734,008	2,822,477
Total governmental activities program revenues	43,101,287	44,685,603	43,129,775	39,444,025	37,445,720	36,960,183
Business-type activities:						
Charges for services:						
Sewage disposal system	26,926,202	26,867,610	26,890,756	26,529,842	26,045,574	25,414,112
Municipal parking system	10,838,270	10,289,830	9,628,690	7,510,354	7,642,684	7,763,065
Cemetery	264,255	237,564	230,716	226,631	199,760	231,304
Golf	754,995	890,190	929,266	951,923	997,177	1,014,675
Garbage and rubbish collection	1,378,562	1,295,053	1,322,111	1,315,413	1,189,489	801,418
Recycling	2,903,092	2,816,277	2,636,002	2,115,917	2,138,308	1,928,476
Potter Park Zoo	553,999	471,703	558,654	505,666	436,199	426,434
Capital grants and contributions	183,012	1,368,773	731,575	93,207	914,570	0
Total business-type activities program revenues	43,802,387	44,237,000	42,927,770	39,248,953	39,563,761	37,579,484
Total primary government program revenues	\$86,903,674	\$88,922,603	\$86,057,545	\$78,692,978	\$77,009,481	\$74,539,667
Net(Expenses)/Revenues						
Governmental activities	(\$96,119,523)	(\$97,731,928)	(\$93,236,116)	(\$95,729,727)	(\$97,716,348)	(\$90,178,529)
Business-type activities	(366,309)	(5,137,923)	2,921,014	107,090	2,941,516	4,800,216
Total primary government net expense	(\$96,485,832)	(\$102,869,851)	(\$90,315,102)	(\$95,622,637)	(\$94,774,832)	(\$85,378,313)
General Revenues and Other Changes in Net Assets						
Governmental activities:						
Taxes						
Property Taxes	38,371,105	37,506,017	36,181,408	40,354,088	39,571,155	39,158,867
Income taxes	28,209,913	27,032,176	27,435,047	27,437,494	29,099,955	27,596,270
Unrestricted grants and contributions	27,258,536	26,817,633	26,355,710	26,338,413	28,198,831	28,618,275
Investment earnings	2,483,162	1,634,608	715,608	312,069	725,936	972,802
Miscellaneous		774,822	104,563	2,903,792	1,838,895	1,946,818
Transfers	(3,098,357)	(3,132,465)	(2,123,435)	(2,668,510)	(4,130,144)	(1,925,790)
Total governmental activities	93,224,359	90,632,791	88,668,901	94,677,346	95,304,628	96,367,242
Business-type activities:						
Investment earnings	2,815,480	1,453,076	1,298,407	249,855	294,425	628,797
Miscellaneous	2,160	1,248	23,736	387,551	343,174	1,438,488
Transfers	3,098,357	3,132,465	2,123,435	2,668,510	3,717,932	1,486,240
Total business-type activities	5,915,997	4,586,789	3,445,578	3,305,916	4,355,531	3,553,525
Total primary government	\$99,140,356	\$95,219,580	\$92,114,479	\$97,983,262	\$99,660,159	\$99,920,767
Changes in Net Assets						
Governmental activities	(\$2,895,164)	(\$7,099,137)	(\$4,567,215)	(\$1,052,381)	(\$2,411,720)	\$6,188,713
Business-type activities	5,549,688	(551,134)	6,366,592	3,413,006	7,297,047	8,353,741
Total primary government	\$2,654,524	(\$7,650,271)	\$1,799,377	\$2,360,625	\$4,885,327	\$14,542,454

(1) no discretely presented component units shown

(2) six years are reported back to the date of GASB 34 implementation

Schedule 3
City of Lansing
Fund Balances, Governmental Funds
Last Six Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year					
	2007	2006	2005	2004	2003	2002
General Fund						
Reserved	\$1,848,021	\$2,443,224	\$2,482,589	\$1,324,109	\$945,386	\$1,145,896
Unreserved	5,036,129	4,634,961	4,709,909	5,606,958	5,985,681	5,785,171
Total General Fund	<u>6,884,150</u>	<u>\$7,078,185</u>	<u>\$7,192,498</u>	<u>\$6,931,067</u>	<u>\$6,931,067</u>	<u>\$6,931,067</u>
All Other Governmental Funds						
Reserved	2,544,339	613,533	2,139,438	3,688,795	4,541,303	4,898,039
Unreserved, reported in:						
Special revenue funds	14,523,146	18,798,291	17,635,170	17,950,570	17,933,354	19,123,737
Capital projects funds	18,978,360	15,717,371	12,563,759	15,293,862	16,967,327	19,447,491
Debt service funds	144,518	88,826	4,400	0	0	0
Permanent funds	1,596,939	1,577,150	1,557,890	0	0	0
Total all other governmental funds	<u>37,787,302</u>	<u>\$36,795,171</u>	<u>\$33,900,657</u>	<u>\$36,933,227</u>	<u>\$39,441,984</u>	<u>\$43,469,267</u>
Total all governmental funds	\$44,671,452	\$43,873,356	\$41,093,155	\$43,864,294	\$46,373,051	\$50,400,334

(1) in 2005 the City's definition for Permanent Funds fund balance changed to "Unreserved" due to the nature of the funds being set up as a reserved fund

(2) six years are reported back to the date of GASB 34 implementation

Schedule 4
City of Lansing
Changes in Fund Balance, Governmental Funds
Last Six Fiscal Years
(modified accrual basis of accounting)

	Fiscal Year					
	2007	2006	2005	2004	2003	2002
Revenues						
Property taxes	\$38,681,928	\$37,957,773	\$36,527,417	\$40,354,088	\$39,426,786	\$39,303,237
Income taxes	28,209,913	27,032,176	27,497,542	27,413,270	29,159,482	27,577,803
Licenses and permits	1,101,550	860,647	791,655	814,989	925,455	976,332
Intergovernmental	34,699,908	34,964,225	35,624,372	36,312,111	36,183,631	41,155,183
Charges for services	18,415,612	19,436,267	17,931,572	16,745,202	15,522,204	15,057,729
Fines and forfeits	4,349,642	4,515,951	4,351,977	4,870,577	5,645,029	4,383,678
Interest and rents	2,607,388	1,710,674	720,707	357,382	823,308	1,096,086
Contributions	9,980,854	9,385,831	8,966,289	8,744,295	9,255,742	8,069,915
Donations from private sources	114,954	549,055	126,182	22,031	376,793	85,307
Other revenue	1,019,476	1,082,283	1,320,064	1,285,903	779,115	703,332
Total revenues	<u>139,181,225</u>	<u>137,494,882</u>	<u>133,857,777</u>	<u>136,919,848</u>	<u>138,097,545</u>	<u>138,408,602</u>
Expenditures						
General government	28,905,058	34,956,037	55,746,807	54,420,735	53,381,289	49,156,129
Public safety	65,218,515	59,143,629	38,121,596	40,145,137	39,321,853	39,290,562
Highways and streets	13,501,747	10,879,004	10,467,860	9,216,004	9,776,628	9,110,517
Recreation and culture	7,676,600	7,509,183	5,517,980	6,229,014	6,555,043	6,219,773
Other functions	9,847,925	8,259,415	8,520,848	6,971,380	5,725,184	8,255,056
Capital outlay	20,001,659	13,306,810	12,614,723	11,917,608	15,241,548	14,195,769
Debt service						
Interest	1,285,436	1,145,588	1,187,673	2,331,276	2,625,499	2,951,352
Principal	3,875,909	3,244,879	3,592,766	6,874,234	6,298,264	7,886,020
Total expenditures	<u>150,312,849</u>	<u>138,444,545</u>	<u>135,770,253</u>	<u>138,105,388</u>	<u>138,925,308</u>	<u>137,065,178</u>
Excess of revenues over (under) expenditures	(11,131,624)	(949,663)	(1,912,476)	(1,185,540)	(827,763)	1,343,424
Other Financing Sources (Uses)						
Issuance of long-term debt	16,711,227	6,087,507	1,784,465	570,000	1,500,000	3,914,787
Bond premium	273,905	0	0	0	0	0
Payment to escrow agent	(1,795,055)	0	0	0	0	0
Proceeds from sale of capital assets	0	774,822	74,565	799,497	99,434	896,818
Transfers in	6,908,259	8,170,998	8,274,929	13,628,444	14,083,970	16,789,516
Transfers out	(10,168,616)	(11,303,463)	(10,398,364)	(16,321,156)	(18,802,923)	(18,715,306)
Total other financing sources (uses)	<u>11,929,720</u>	<u>3,729,864</u>	<u>(264,405)</u>	<u>(1,323,215)</u>	<u>(3,119,519)</u>	<u>2,885,815</u>
Net change in fund balance	<u>798,096</u>	<u>2,780,201</u>	<u>(2,176,881)</u>	<u>(2,508,755)</u>	<u>(3,947,282)</u>	<u>4,229,239</u>
Debt service as a percentage of noncapital expenditures	4.0%	3.4%	3.9%	7.3%	7.2%	8.8%

(1) six years are reported back to the date of GASB 34 implementation

Schedule 5
City of Lansing
Assessed Value and estimated Actual Value of Taxable Property
Last Seven Fiscal Years

Fiscal Year Ended June 30,	Residential Property	Commercial Property	Industrial Property	Personal Property Valuation	Total Taxable Assessed Valuation	Total Direct Tax Rate	Estimated Actual Value	Assessed Value as a Percentage of Actual Value
2001	\$988,356,656	\$560,554,545	\$72,068,138	\$305,623,290	\$1,926,602,629	\$16.96	\$3,853,205,258	50.0%
2002	1,036,176,015	632,166,043	138,185,676	289,408,415	2,095,936,149	16.46	4,191,872,298	50.0%
2003	1,088,980,029	661,752,030	157,367,277	303,247,208	2,211,346,544	15.93	4,422,693,088	50.0%
2004	1,135,019,090	686,609,099	178,744,095	287,439,600	2,287,811,884	15.93	4,575,623,768	50.0%
2005	1,196,695,728	702,969,958	175,906,035	288,421,700	2,363,993,421	15.88	4,727,986,842	50.0%
2006	1,266,935,505	730,413,466	180,564,805	251,293,200	2,429,206,976	15.88	4,858,413,952	50.0%
2007	1,354,989,247	728,343,561	195,703,073	221,858,408	2,500,894,289	15.88	5,001,788,578	50.0%

(1) tax rates are per \$1,000 of assessed value

(2) data available back seven years

Schedule 6
City of Lansing
Direct and Overlapping Property tax Rates
Last Ten Fiscal Years
(rate per \$1,000 of assessed value)

Fiscal Year Ended June 30,	City Direct Rates				Overlapping Rates					Total
	Tax Year	Operating Millage	Service Millage	City Millage	County Millage	School Millage	State Education	College Millage	Other Millage	
1998	1997	15.04	2.06	17.10	7.61	18.88	6.00	2.94	7.43	59.96
1999	1998	15.04	2.06	17.10	7.61	18.94	6.00	2.94	7.41	60.00
2000	1999	14.90	2.06	16.96	7.61	19.52	6.00	2.92	7.36	60.37
2001	2000	14.90	2.06	16.96	7.61	19.04	6.00	2.92	7.62	60.15
2002	2001	14.40	2.06	16.46	7.61	19.10	6.00	3.89	7.59	60.65
2003	2002	14.90	1.03	15.93	8.11	19.01	6.00	3.87	8.34	61.26
2004	2003	14.90	1.03	15.93	8.11	19.06	5.00	3.85	8.89	60.84
2005	2004	14.90	.98	15.88	8.10	20.65	6.00	3.84	8.83	63.30
2006	2005	14.90	.98	15.88	8.18	20.40	6.00	3.81	8.78	63.04
2007	2006	14.95	.93	15.88	8.72	20.32	6.00	3.81	9.15	63.88

- (1) rates for Ingham County and Lansing School District only
(2) since 1995 this is the Non-homestead rate
(3) includes Intermediate School, Airport Authority, Capital
Area Transit Authority and Capital Area District Library (began in FY 98)

Schedule 7
City of Lansing
Principal Property Tax Payers
Last Seven Fiscal Years

Taxpayer	2007			2006			2005			2004		
	Taxable Assessed Valuation	Rank	Percentage of Total Assessed Valuation	Taxable Assessed Valuation	Rank	Percentage of Total Assessed Valuation	Taxable Assessed Valuation	Rank	Percentage of Total Assessed Valuation	Total Assessed Valuation	Rank	Percentage of Total Assessed Valuation
General Motors	\$133,897,648	1	5.11%	\$161,917,774	1	6.85%	\$205,316,035	1	8.69%	\$223,100,800	1	9.75%
Jackson National Life Insurance Company	33,130,261	2	1.26%	32,393,347	2	1.37%	31,901,307	2	1.35%	31,786,400	2	1.39%
Delta Township Utilities	25,381,733	3	0.97%	12,999,700	5	0.55%						
Consumers Energy	21,628,281	4	0.83%	21,227,570	3	0.90%	21,840,336	5	0.92%	22,043,400	5	0.96%
Capitol Outlook LLC	18,764,936	5	0.72%	18,095,407	4	0.77%	17,517,336	4	0.74%	23,029,300	4	1.01%
Sprint Spectrum L.P.	14,526,841	6	0.55%	12,932,365	6	0.55%	14,089,100	8	0.60%	13,454,600	8	0.59%
Accident Fund Company	13,202,404	7	0.50%	11,921,155	9	0.50%	11,061,457	7	0.47%	13,724,200	7	0.60%
Lansing Retail Center LLC	13,139,375	8	0.50%	12,670,707	7	0.54%	12,266,173	6	0.52%	15,544,200	6	0.68%
Trappers Cove LTD Partners	12,565,459	9	0.48%	12,117,127	8	0.51%	11,730,037	9	0.50%	13,198,200	10	0.58%
Heart of the City Assoc	10,290,786	10	0.39%	9,923,613	10	0.42%	9,606,596	10	0.41%			
525 Redevco Inc				-			26,573,652	3	1.12%	25,976,200	3	1.14%
Cricket Communications										13,391,600	9	0.59%
Victor IV Partnership												
State of Michigan												

(1) data furnished from City of Lansing Assessor
(2) data available back seven years

Schedule 7
City of Lansing
Principal Property Tax Payers
Last Seven Fiscal Years

Taxpayer	2003			2002			2001		
	Total Assessed Valuation	Rank	Percentage of Total Assessed Valuation	Total Assessed Valuation	Rank	Percentage of Total Assessed Valuation	Total Assessed Valuation	Rank	Percentage of Total Assessed Valuation
General Motors	\$228,595,000	1	10.34%	\$216,957,400	1	10.35%	\$ 210,124,000	1	10.91%
Jackson National Life Insurance Company	27,653,500	2	1.25%	33,398,500	2	1.59%	41,238,000	2	2.14%
Delta Township Utilities									
Consumers Energy	21,326,600	5	0.96%	28,554,300	3	1.36%	20,779,800	3	1.08%
Capitol Outlook LLC	23,811,500	4	1.08%	20,900,100	5	1.00%	18,805,600	4	0.98%
Sprint Spectrum L.P.	11,877,000	9	0.54%						
Accident Fund Company	13,108,100	7	0.59%	12,815,200	7	0.61%	11,181,300	8	0.58%
Lansing Retail Center LLC	14,750,900	6	0.67%	14,584,800	6	0.70%	13,311,200	6	0.69%
Trappers Cove LTD Partners	12,881,700	8	0.58%	12,364,300	8	0.59%	12,364,300	7	0.64%
Heart of the City Assoc	11,438,900	10	0.52%	11,593,000	9	0.55%	10,461,800	9	0.54%
525 Redevco Inc	26,854,700	3	1.21%	24,586,400	4	1.17%	10,000,000	10	0.52%
Cricket Communications									
Victor IV Partnership				9,408,300	10	0.45%			
State of Michigan							16,488,900	5	0.86%

(1) data furnished from City of Lansing Assessor
(2) data available back seven years

Schedule 8
City of Lansing
Property Tax Levies and Collections
Last Ten Fiscal Years

30-Jun	Taxes Levied for the Fiscal Year	Collected within the Fiscal Year of the Levy		Delinquent Tax Collection	Total Collections to Date	
		Current Tax Collection	Percent of Levy Collected		Total Tax Collection	Collections as a Percent of Levy
1998	\$ 33,360,681	\$ 33,269,198	99.73%	\$ (402)	\$ 33,268,796	99.72%
1999	34,984,481	34,887,287	99.72%	70,749	34,958,036	99.92%
2000	35,027,907	34,886,808	99.60%	48,074	34,934,882	99.73%
2001	35,547,497	35,330,288	99.39%	18,522	35,348,810	99.44%
2002	36,357,748	36,208,985	99.59%	59,625	36,268,610	99.75%
2003	37,310,656	37,041,662	99.28%	(97,842)	36,943,820	99.02%
2004	38,267,514	37,826,436	98.85%	58,255	37,884,691	99.00%
2005	40,051,303	39,429,093	98.45%	137,727	39,566,820	98.79%
2006	41,261,397	41,022,735	99.42%	77,747	41,100,483	99.61%
2007	42,627,042	42,516,696	99.74%	91,605	42,608,301	99.96%

(1) net of chargebacks from the County Tax Revolving Funds for taxes still delinquent after three years

Schedule 9
City of Lansing
Ratios of Outstanding Debt by Type
Last Ten Fiscal Years

Fiscal Year	Governmental Activities				Business-Type Activities				Total Primary Government	Percentage of Personal Income	Per Capita	Population
	General Obligation Bonds	Special Assessment Debt	Lease Purchases	Loans	General Obligation Bonds	Revenue Bonds	Lease Purchases	Loans				
1998	\$66,473,000	\$306,000	\$12,767,000	\$549,000	\$18,215,000	\$103,960,000	\$65,000	\$0	\$202,335,000	8.85%	\$1,588	127,400
1999	43,643,000	170,000	12,733,000	151,000	41,411,000	105,595,000	18,000	0	203,721,000	8.92%	1,599	127,400
2000	21,090,000	140,000	11,501,000	0	49,330,000	101,800,000	0	0	183,861,000	8.61%	1,544	119,100
2001	17,310,000	115,000	12,135,000	650,000	55,069,000	97,845,000	0	0	183,124,000	8.58%	1,538	119,100
2002	33,668,000	90,000	11,266,000	650,000	123,022,000	32,705,000	0	0	201,401,000	9.44%	1,691	119,100
2003	29,553,133	65,000	11,043,847	534,329	129,302,048	29,230,000	0	0	199,728,357	9.37%	1,677	119,100
2004	25,078,133	45,000	9,858,752	408,283	158,303,225	55,375,000	0	4,179,649	253,248,042	11.88%	2,126	119,100
2005	13,320,000	35,000	8,396,154	1,543,195	165,029,785	51,710,000	0	4,180,000	244,214,134	11.46%	2,050	119,100
2006	17,245,000	25,000	7,351,126	1,409,844	168,824,004	47,905,000	0	4,180,000	246,939,974	11.59%	2,073	119,100
2007	19,845,000	10,000	15,399,239	1,772,049	180,177,414	43,955,000	0	4,180,000	265,338,702	12.45%	2,228	119,100

(1) population per decennial census by the U.S. Census Bureau

(2) personal income data comes from U.S. Census Bureau, American Community Survey 2005

Schedule 10
City of Lansing
Ratios of General Bonded Debt Outstanding
Last Seven Fiscal Years

Fiscal Year Ended 30-Jun	Population(1)	Taxable Value(3)	Gross Bonded Debt(2)	Debt Service Monies Available	Debt Payable From Enterprise Revenues & Special Assessments	Net Bonded Debt	Ratio of Net Bonded Debt to Taxable Value	Net Bonded Debt per Capita
2001	119,128	\$1,926,602,629	\$128,819,227	\$266,393	\$93,171,094	\$35,381,740	0.0184	\$297
2002	119,128	2,095,936,149	135,999,133	28,496	102,232,751	33,737,886	0.0161	283
2003	119,128	2,211,346,544	140,043,000	7,524	110,419,899	29,615,577	0.0134	249
2004	119,128	2,287,811,884	166,581,000	42,852	145,505,724	21,032,424	0.0092	177
2005	119,128	2,363,993,421	178,349,785	4,400	165,029,785	13,315,600	0.0056	112
2006	119,128	2,429,206,976	186,094,004	88,826	168,849,004	17,156,174	0.0071	144
2007	119,128	2,500,894,289	200,032,414	144,518	180,187,414	19,700,482	0.0079	165

- (1) population per decennial census by the U.S. Census Bureau
(2) includes all general obligation debt and special assessment debt with governmental obligation
(3) the tax assessment day is December 31 prior to beginning of fiscal year
(4) data available back seven years

Schedule 11
City of Lansing
Direct and Overlapping Governmental Activities Debt
As of June 30, 2007

Name of Governmental Unit	Net General Obligation Bonded Debt Outstanding	% Applicable to City	Amount Applicable to City
Direct - City	\$ 26,575,787 (1)	100.00%	<u>\$ 26,575,787</u>
Overlapping			
Eaton Intermediate School District	1,745,000	1.47%	\$ 25,652
Waverly School District	42,035,000	0.25%	105,088
Lansing School District	69,395,000	84.67%	58,756,747
East Lansing School District	80,039,938	4.22%	3,377,685
Holt School District	104,981,746	2.87%	3,012,976
Ingham Intermediate School District	-	26.43%	-
Ingham County	33,002,909	30.47%	10,055,986
Eaton County	26,189,563	2.59%	678,310
Lansing Community College	71,985,000	22.31%	16,059,854
Okemos School District	46,132,000	2.84%	1,310,149
Grand Ledge	50,915,000	2.96%	1,507,084
Total Overlapping Debt			<u>94,889,529</u>
Total Direct and Overlapping Debt			<u>\$ 121,465,316</u>

(1) excluding general obligation bonds reported in the enterprise funds, special assessment debt with government commitment and amount available for repayment in the debt service fund and including tax increment bonds

Schedule 12
City of Lansing
Legal Debt Margin Information
Last Ten Fiscal Years

Legal Debt Margin Calculation for Fiscal Year 2007

Assessed value, real and personal property	\$3,087,266,510
Assessed value equivalents	162,608,800
Total valuation	<u>3,249,875,310</u>
Legal debt margin	
Debt limitation - 10 percent of total valuation	324,987,531
Debt applicable to limit	
Total City Bonded Debt	243,987,414
Add City Share:	
Drain Commission-County Issued	193,620
Joint Building Authority-County Issued	5,777,692
Brownfield Redevelopment Authority	2,225,000
TIF Supported Bonds	<u>6,875,305</u>
	259,059,032
Less:	
Special Assessment Bonds	(10,000)
Michigan Transportation (MTF) Bonds	(6,060,000)
Sewage Disposal Revenue Bonds	(43,955,000)
Pollution Abatement (CSO Project) Bonds	(113,052,414)
	<u>(163,077,414)</u>
Total net debt applicable to limit	95,981,618
Legal debt margin	<u><u>\$229,005,913</u></u>

	Fiscal Year									
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007
Debt limit	\$192,592,070	\$205,063,128	\$212,623,130	\$237,216,205	\$256,314,667	\$273,340,110	\$289,486,027	\$302,811,105	\$314,307,611	\$324,987,531
Total net debt applicable to limit	<u>86,274,817</u>	<u>100,429,777</u>	<u>85,744,355</u>	<u>81,504,924</u>	<u>73,872,709</u>	<u>70,893,614</u>	<u>87,171,139</u>	<u>75,882,359</u>	<u>103,095,986</u>	<u>95,981,618</u>
Legal debt margin	<u>\$106,317,253</u>	<u>\$104,633,351</u>	<u>\$126,878,775</u>	<u>\$155,711,281</u>	<u>\$182,441,958</u>	<u>\$202,446,496</u>	<u>\$202,314,888</u>	<u>\$226,928,746</u>	<u>\$211,211,625</u>	<u>\$229,005,913</u>
Total net debt applicable to the limit as a percentage of debt limit	44.80%	48.98%	40.33%	34.36%	28.82%	25.94%	30.11%	25.06%	32.80%	29.53%

Schedule 13
City of Lansing
Pledged-Revenue Coverage
Last Ten Fiscal Years

Fiscal Year Ended 30-Jun	Sewage Disposal Bonds						
		Direct	Net Revenue	Debt Service Requirements			Coverage(1)
	Gross Revenue	Operating Expenses(2)	Available for Debt Service	Principal	Interest	Total	
1998	\$ 20,867,394	\$ 10,004,525	\$ 10,862,869	\$ 2,235,000	\$ 2,624,340	\$ 4,859,340	2.24
1999	21,107,381	9,996,022	11,111,359	2,370,000	2,492,280	4,862,280	2.29
2000	21,623,804	10,528,286	11,095,518	2,180,000	1,656,475	3,836,475	2.89
2001	24,193,795	10,574,104	13,619,691	3,065,000	1,976,600	5,041,600	2.70
2002	25,841,763	10,592,681	15,249,082	3,190,000	1,854,090	5,044,090	3.02
2003	26,963,775	11,209,711	15,754,064	3,320,000	1,723,253	5,043,253	3.12
2004	26,196,518	11,543,509	14,653,009	3,475,000	1,723,253	5,198,253	2.82
2005	26,601,646	12,775,001	13,826,645	3,715,000	1,786,328	5,501,328	2.51
2006	27,932,464	12,867,761	15,064,703	3,805,000	2,036,736	5,841,736	2.58
2007	29,160,845	13,494,658	15,666,187	3,950,000	2,152,990	6,102,990	2.57

(1) coverage is defined as net revenue available for debt service divided by
debt service requirements

(2) operating expenses less depreciation

Schedule 14
City of Lansing
Demographic and Economic Statistics
Last Ten Fiscal Years

Year	Population(1)	Personal Income	Per capita Personal Income(5)	Median Age(2)	School Enrollment(3)	Unemployment % Rate(4)	Labor Force(4)
1997	127,400	\$2,285,810,800	\$17,942	31.40	20,013	2.9	66,275
1998	127,400	2,285,046,400	17,936	31.64	19,049	4.1	66,425
1999	127,400	2,284,282,000	17,930	31.88	18,443	4.2	66,550
2000	119,100	2,134,748,400	17,924	31.40	17,836	4.7	68,300
2001	119,100	2,134,036,817	17,918	31.56	17,586	4.5	67,725
2002	119,100	2,133,325,472	17,912	31.72	17,490	5.6	67,700
2003	119,100	2,132,614,363	17,906	31.88	17,600	6.7	65,325
2004	119,100	2,131,903,492	17,900	32.04	16,927	7.0	63,750
2005	119,100	2,131,192,857	17,894	32.20	16,201	9.0	68,041
2006	119,100	2,130,460,800	17,888	32.36	16,014	8.4	67,023
2007	119,100	2,129,750,646	17,882	32.52	15,178	8.9	66,224

(1) population per decennial census by the U.S. Census Bureau

(2) 2000 data from U.S. Census Bureau. Data for other years estimated by City of Lansing Finance Department

(3) annual school census from the Lansing School District

(4) Michigan Department of Career Development: Employment Service Agency - Labor Market Information

(5) personal income for 2000 and 2005 from the U.S.Census Bureau. The other years were extrapolated from 2000 and 2005

Schedule 15
City of Lansing
Principal Employers,
June 30,

Employer	2007			2006		
	Employees (1)	Rank	Percentage of Total City Employment (2)	Employees	Rank	Percentage of Total City Employment
State of Michigan	13,000	1	5.65%	14,355	1	6.09%
Michigan State University	10,500	2	4.56%	10,500	2	4.45%
General Motors	6,000	3	2.61%	6,300	3	2.67%
Sparrow Health System	6,000	4	2.61%	6,000	4	2.54%
Lansing Community College	3,800	5	1.65%	3,180	5	1.35%
Lansing School District	3,000	6	1.30%	2,106	7	0.89%
Ingham Regional Medical Center	2,500	7	1.09%	2,500	6	1.06%
Meijer	2,000	8	0.87%	2,000	8	0.85%
U.S. Post Office	1,300	9	0.57%			
Ingham County	1,200	10	0.52%			
Auto Owners Insurance				1,500	9	0.64%
Peckham, Inc.				1,400	10	0.59%

- (1) data is representative of the Greater Lansing Region
(2) based on a Greater Lansing Region employment of 230,075
(3) data available back two years only

Schedule 16
City of Lansing
Full-time Equivalent City Governmental Employees by Function/Program
June 30,

Function/Program	2007	2006
General Government		
City Clerk	7	7
City Council	14	15
District Court	55	55
Finance	128	51
Human Relations and Community Services	9	9
Law	12	11
Mayor's Office	5	6
Management Services	0	66
Personnel Services	14	13
Transportation	9	9
Planning and Neighborhood Development	54	52
Public Safety		
Police officers	243	241
Police civilians	95	98
Firefighters and officers	213	214
Fire civilians	6	6
Public Works		
O&M Public Works	94	94
Service Garage	0	17
Engineering	18	19
Recreation	59	61
Sewage Disposal	51	61
Parking System	34	40
Cemetery	5	5
Golf	4	6
Garbage and Recycling	25	28
Potter Park Zoo	18	19
	1172	1203

data available back two years only

Schedule 17
City of Lansing
Operating Indicators by Function/Program
Fiscal Year ended June 30,

Function/Program	2007	2006
Public Safety		
Fire Department responses	15,267	14,869
EMS related	12,779	12,152
Fire related	2,488	2,117
Police Department responses	97,466	87,551
Arrests	13,260	7,479
Traffic violations	29,047	30,948
Public Works		
Potholes filled	750	494
Streets resurfaced (miles)	22.11	27.16
Recreation		
Recreation participation	41,069	38,878
Pavillion rentals	587	602
Sewage Disposal		
Average amount processed daily (gal)	16 million	15 million
Parking System		
Average number of monthly permits	3,905	4,073
Parking tickets issued	75,637	82,221
Cemetery		
Lots sold	114	104
Golf		
Annual rounds played	59,244	57,256
Garbage and Rubbish		
Yards sent to landfill	30,402	30,517
Recycling		
Recycled goods sold (tons)	11,454	9,386
Yards composted	17,189	21,304
Potter Park Zoo		
Annual attendance	99,364	96,659

data available back two years only

Schedule 17
City of Lansing
Capital Asset Statistics by Function/Program
June 30,

Function/Program	2007	2006
Public Safety		
Police Stations	3	3
Police Patrol Units	55	55
Fire Stations	9	9
Public Works		
Streets (miles)	410.15	409.89
Traffic signals	188	194
Recreation		
Park acreage	2,219.63	2,219.63
Playgrounds	80	76
Baseball/softball fields	61	61
Soccer/football fields	6	6
Community centers	4	4
Sewage Disposal		
Sanitary sewers (miles)	341	338
Storm sewers (miles)	220	217
Combined sewers (miles)	203	208
Parking System		
Ramps	6	5
Lots	15	15
Meters	2,489	2,489
Cemetery		
Number of cemeteries	3	3
Golf		
Number of courses	3	3
Acreage	318	318
Garbage and Rubbish		
Refuse collection trucks	21	20
Recycling		
Recycling trucks	10	10
Potter Park Zoo		
Number of animals	398	403

data available back two years only

**CITY OF LANSING,
MICHIGAN**

SINGLE AUDIT

For the Year Ended June 30, 2007



REHMANN ROBSON

Certified Public Accountants

CITY OF LANSING, MICHIGAN
Single Audit

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For the Year Ended June 30, 2007

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CITY OF LANSING, MICHIGAN
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2007

Federal/Pass-through Grantor Program Title	CFDA Number	Federal/ Pass-through Grantor Number	Current Year Expenditures
U.S. Department of Housing and Urban Development			
Direct programs:			
Community Development Block Grant:			
2004 Entitlement	14.218	B-04-MC-26-0025	\$ 108,243
2005 Entitlement	14.218	B-05-MC-26-0025	180,249
2006 Entitlement	14.218	B-06-MC-26-0025	1,610,835
Total Community Development Block Grant			1,899,327
Emergency Shelter:			
2005 Grant	14.231	S-05-MC-26-0025	37,530
2006 Grant	14.231	S-06-MC-26-0025	55,305
Total Emergency Shelter Grant			92,835
Supportive Housing Program:			
Advent House - 05/07	14.235	MI28B40-8002	195,481
Ballentine - 04/07	14.235	MI28B20-8002	65,806
Gateway Community Services - 04/07	14.235	MI28B30-8005	62,317
Haven House - 05/08	14.235	MI28B30-8003	39,980
C.A.C.S - 03/06	14.235	MI28B0-8001	30,760
C.A.C.S - 07/10	14.235	MI28B50-8003	285,394
Greater Lansing Housing Coalition - 03/06	14.235	MI28B10-8001	114,943
Greater Lansing Housing Coalition - 07/10	14.235	MI28B60-8003	6,186
National Council Alcoholism	14.235	MI28B40-8005	83,282
Salvation Army - 04/07	14.235	MI28B30-8004	81,102
Salvation Army - 05/07	14.235	MI28B30-8001	194,593
Salvation Army - 06/07	14.235	MI28B50-8004	63,935
Salvation Army (PSH III)- 06/08	14.235	MI28B40-8001	245,775
H.M.I.S. - 03/06	14.235	MI28B20-8002	12,297
H.M.I.S. - 05/06	14.235	MI28B40-8004	34,669
Total Supportive Housing Program			1,516,520
Home Investment Partnerships Program:			
2002 Grant Year	14.239	M-02-MC-26-0208	507,565
2003 Grant Year	14.239	M-03-MC-26-0208	21,583
2004 Grant Year	14.239	M-04-MC-26-0208	33,967
2005 Grant Year	14.239	M-05-MC-26-0208	118,157
2006 Grant Year	14.239	M-06-MC-26-0208	165,550
Total Home Investment Partnerships Program			846,822
Lead Hazard Reduction Demonstration Grant Program	14.905	MILHD 0162-06	27,307
Total U.S. Department of Housing and Urban Development			4,382,811
U.S. Department of Justice			
Direct programs:			
Local Law Enforcement Block Grant:			
2005 Grant Year	16.592	2005-DJ-BX-0303	60,544
2006 Grant Year	16.592	2006-DJ-BX-0655	89,449
Total Local Law Enforcement Block Grant			149,993

continued...

CITY OF LANSING, MICHIGAN
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2007

Federal/Pass-through Grantor Program Title	CFDA Number	Federal/ Pass-through Grantor Number	Current Year Expenditures
U.S. Department of Justice (concluded)			
Direct programs (concluded):			
COPS:			
Bulletproof Vest Partnership Program	16.607	N/A	\$ 23,875
Criminal Intelligence Database	16.609	2006-PG-BX-0005	29,943
Interoperable Communications	16.710	2005-IN-WX-0009	1,387,902
Gang Resistance Education and Training	16.737	N/A	87,689
Total COPS			<u>1,529,409</u>
Passed-through the State of Michigan Department of Human Services:			
Juvenile Accountability Block Grant 2006/2007	16.523	JAIBG-06-33003	<u>13,929</u>
Passed-through the State of Michigan Department of Community Health:			
Capital Area Response Effort - Year Ten	16.575	CVA20457-9V04	30,979
Capital Area Response Effort - Year Eleven	16.575	CVA20457-9V04	93,014
Metro Conspiracy Investigations	16.579	OJC70901-6-06-B	84,499
Metro Conspiracy Investigations	16.579	OJC70901-7-07-B	221,700
Total passed-through the State of Michigan Department of Community Health			<u>430,192</u>
Total U.S. Department of Justice			<u>2,123,523</u>
U.S. Department of Transportation			
Passed-through the State of Michigan Department of Transportation:			
Pennsylvania Avenue Bridge (MDOT 03-5122)	20.205	BFR0333(314)	5,908
High Priority Projects Program (MDOT 00-5228)	20.205	HPP9933(022)	18,457
High Priority Projects Phase II (MDOT 99-5316)	20.205	HPP9933(022)	(2,652)
Traffic Signal Control Integration	20.205	ITS0333(316)	85,673
IPACE (MDOT 77195)	20.205		146,862
Rivertrail South Scott Woods (MDOT 07-5434)	20.205	STP0433(305)	<u>139,920</u>
Total U.S. Department of Transportation			<u>394,168</u>
Environmental Protection Agency			
Passed-through the State of Michigan Department of Treasury:			
State Revolving Loan Funds (SRF)	66.458		<u>6,493,994</u>
Passed-through the State of Michigan Department of Environmental Quality:			
Brownfield Hazardous Substance Grant	66.818		96,641
Brownfield Petrol Grant	66.818		91,536
Brownfield BCRLF Grant	66.818		31,747
Total passed-through the State of Michigan Department of Environmental Quality			<u>219,924</u>
Total Environmental Protection Agency			<u>6,713,918</u>
Corporation for National and Community Service			
Direct program:			
Volunteers in Service to America VISTA Americorps	94.013	GH05VPNMI021	<u>103,490</u>

continued...

CITY OF LANSING, MICHIGAN
Schedule of Expenditures of Federal Awards (Concluded)
For the Year Ended June 30, 2007

Federal/Pass-through Grantor Program Title	CFDA Number	Federal/ Pass-through Grantor Number	Current Year Expenditures
U.S. Department of Homeland Security			
Direct program:			
2005 Assistance to Firefighters Grant Program	97.044	EMW-2005-FG-17761	\$ 560,000
Passed-through the State of Michigan Department of State Police:			
FEMA - Hurricane Katrina	97.036	3225 EM	65,519
Emergency Management Performance Grant			
2006 EMPG	97.042		38,206
2007 EMPG	97.042		26,578
2004 State Homeland Security Grant Program			
2004 SHSP	97.004		21,562
2004 SHSP (Supplemental)	97.004		9,187
2004 RRTN	97.004		66,394
2005 State Homeland Security Grant Program			
2005 SHSP	97.073		151,810
2005 RRTN	97.067		129,500
2006 State Homeland Security Grant Program			
2006 SHSP	97.067		142,815
2006 LETPP	97.067		25,498
			<hr/>
Total U.S. Department of Homeland Security			1,237,069
			<hr/>
Total Expenditures of Federal Awards			\$ 14,954,979
			<hr/> <hr/>

CITY OF LANSING, MICHIGAN

Notes to Schedule of Expenditures of Federal Awards

1. GENERAL

The accompanying Schedule of Expenditures of Federal Awards presents the activity of all federal awards programs of the City of Lansing, Michigan (the "City"). Federal awards received directly from federal agencies, as well as federal awards passed through other government agencies, are included on this schedule.

The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

The City of Lansing reporting entity is defined in Note I of the City's basic financial statements.

2. SUBRECIPIENTS

The City administers certain federal awards programs through subrecipients. Those subrecipients are not considered part of the City of Lansing reporting entity. Of the federal expenditures presented in the schedule, the City of Lansing provided federal awards to subrecipients as follows:

Program Title	Federal CFDA Number	Amount Provided to Subrecipients
Community Development Block Grant	14.218	\$ 305,972
Emergency Shelter	14.231	92,835
Supportive Housing Program	14.235	1,475,145
Home Investment Partnerships Program	14.239	43,000
Juvenile Accountability Block Grant	16.523	2,412
METRO Conspiracy Investigations	16.579	234,261
COPS Interoperable Communications	16.710	1,250,542
2006 State Homeland Security Grant	97.067	90,703
FEMA – Hurricane Katrina	97.036	<u>65,519</u>
Total		<u>\$ 3,560,389</u>

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REHMANN ROBSON

Certified Public Accountants

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INTERNATIONAL

**INDEPENDENT AUDITORS' REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE
AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

December 14, 2007

Honorable Mayor and Members
of the City Council
City of Lansing, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the ***City of Lansing, Michigan*** as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements as listed in the table of contents, and have issued our report thereon dated December 14, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the ***City of Lansing, Michigan's*** internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the ***City of Lansing, Michigan's*** internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the ***City of Lansing, Michigan's*** internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the *City of Lansing, Michigan's* ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the *City of Lansing, Michigan's* financial statements that is more than inconsequential will not be prevented or detected by the *City of Lansing, Michigan's* internal control. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2007-1 to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the *City of Lansing, Michigan's* internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to be material weaknesses. However, we do not believe that the significant deficiency described above is a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Lansing, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The *City of Lansing, Michigan's* responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the *City of Lansing, Michigan's* responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the audit committee, management, others within the organization, the City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Lehmann Lohman". The signature is written in a cursive, flowing style.



REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE WITH
REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM
AND INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

March 24, 2008

Honorable Mayor and Members
of the City Council
City of Lansing, Michigan

Compliance

We have audited the compliance of the *City of Lansing, Michigan* with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2007. The *City of Lansing, Michigan's* major federal programs are identified in the summary of auditors' results section of the accompanying Schedule of Findings and Questioned Costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City of Lansing, Michigan's management. Our responsibility is to express an opinion on the City of Lansing, Michigan's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on major federal programs occurred. An audit includes examining, on a test basis, evidence about the City of Lansing, Michigan's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City of Lansing, Michigan's compliance with those requirements.

As described in item 2007-4 in the accompanying schedule of findings and questioned costs, the City of Lansing, Michigan did not comply with requirements regarding cash management that are applicable to its COPS Interoperable Communications major federal program. Compliance with such requirements is necessary, in our opinion, for the City of Lansing, Michigan to comply with the requirements applicable to that program.

In our opinion, except for the noncompliance described in the preceding paragraph, the City of Lansing, Michigan complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2007. In addition, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2007-2 and 2007-3.

Internal Control Over Compliance

The management of the City of Lansing, Michigan is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City of Lansing, Michigan's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Entity's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the Entity's internal control that might be significant deficiencies or material weaknesses as defined below. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A control deficiency in an entity's internal control over compliance exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the Entity's internal control. We consider the deficiencies in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2007-2, 2007-3 and 2007-4 to be significant deficiencies.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the Entity's internal control. Of the significant deficiencies in internal control over compliance described above, we consider item 2007-4 to be a material weakness.

The *City of Lansing, Michigan's* responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the *City of Lansing, Michigan's* responses and, accordingly, we express no opinion on them.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Lansing, Michigan as of and for the year ended June 30, 2007, and have issued our report thereon dated December 14, 2007. Our audit was performed for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the audit committee, management, others within the organization, the City Council, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in black ink, reading "Lehmann Johnson". The signature is written in a cursive, flowing style.

CITY OF LANSING, MICHIGAN
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2007

SECTION I - SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified? yes X no

Significant deficiency(s) identified
not considered to be material weaknesses? X yes none reported

Noncompliance material to financial statements
noted? yes X no

Federal Awards

Internal Control over major programs:

Material weakness(es) identified? X yes no

Significant deficiency(s) identified
not considered to be material weaknesses? X yes none reported

Type of auditors' report issued on compliance
for major programs: Qualified

Any audit findings disclosed that are required
to be reported in accordance with
Circular A-133, Section 510(a)? X yes no

CITY OF LANSING, MICHIGAN

Schedule of Findings and Questioned Costs (Continued)

For the Year Ended June 30, 2007

SECTION I - SUMMARY OF AUDITORS' RESULTS (Concluded)

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
14.218	Community Development Block Grant
14.235	Supportive Housing Program
14.239	Home Investment Partnerships Program
16.710	COPS: Interoperable Communications
66.458	State Revolving Loan Fund

Dollar threshold used to distinguish
between Type A and Type B programs:

\$448,649

Auditee qualified as low-risk auditee?

_____ yes X no

SECTION II – FINANCIAL STATEMENT FINDINGS

Significant Deficiency

2007-1 Significant Audit Adjustments

Criteria:	The City is responsible for the reconciliation of all general ledger accounts to their proper underlying balances for the purpose of creating a reasonably adjusted trial balance, from which the basic financial statements are derived.
Condition:	Certain account balances and year end adjustments were not properly calculated, resulting in the need for adjustments to the financial statements in amounts that were significant to the financial statements.
Cause:	Internal controls did not detect all adjustments necessary to properly record year-end balances.
Effect:	As a result of this condition, the City's internal books and records were initially misstated by amounts that were significant to the financial statements. Accordingly, audit adjustments were necessary in order to properly state certain accounts to the proper year-end balance.

CITY OF LANSING, MICHIGAN

Schedule of Findings and Questioned Costs (Continued)

For the Year Ended June 30, 2007

Recommendation: We recommend that the City carefully review year-end adjustments across all funds to ensure that amounts recorded properly agree with the underlying account detail.

**View of
Responsible
Officials:**

During the course of the audit, there were various adjustments offered by the City's auditors that we willingly made. The adjustments were made due to errors in our closing of the general ledger. The mistakes involved personnel being utilized that were learning new functions while we continue to find better ways of fulfilling our required obligations. The City of Lansing will be increasing its review process to reduce or eliminate these adjustments in the future.

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

Significant Deficiencies

Finding 2007-2 Subrecipient Monitoring

Program: **CFDA #16.710 - COPS Interoperable Communications**

Criteria: The Compliance Supplement to OMB Circular No. A-133 requires that pass-through entities ensure that subrecipients expending \$500,000 or more in Federal awards have met the audit requirements of OMB Circular A-133.

Condition: The City does not have procedures in place to ensure that subrecipients of the COPS Interoperable Communications program are in compliance with OMB Circular A-133.

Cause: The City was not aware of the Federal Guidelines regarding subrecipient monitoring per OMB Circular No. A-133.

Effect: Unallowable costs and/or activities may be occurring at the subrecipient level that the City would not be aware of, due to the fact that the City is not conducting the required monitoring.

CITY OF LANSING, MICHIGAN

Schedule of Findings and Questioned Costs (Continued)

For the Year Ended June 30, 2007

Recommendation: We recommend that the City implement procedures to verify that all subrecipients are following the audit requirements of OMB A-133. For subrecipients that are not required to submit a reporting package to the City because there were no findings, the City should use the information in the Federal Audit Clearinghouse (FAC) database (available on the internet at <http://harvester.census.gov/sac>) as evidence to verify that the subrecipient had no audit findings and that the required audit was performed.

**View of
Responsible
Officials:**

Although sub-recipient monitoring had been done with other pass through grants of the City, we had not initiated the monitoring for the COPS grant sub-recipients. We will set up procedures to review and monitor sub-recipients on all grants to ensure compliance with OMB A-133.

Finding 2007-3 Equipment and Real Property Management

Program: **CFDA #16.710 - COPS Interoperable Communications**

Criteria: According to OMB Circulars A-102 and A-110, records should be maintained for equipment funded with federal awards, a physical inventory of such equipment should be taken at least once every two years and reconciled to the equipment records, an appropriate control system should be used to safeguard such equipment; and such equipment should be adequately maintained.

Condition: Equipment and property records of the City do not adequately indicate whether items were obtained with Federal awards.

Cause: The City was not aware of the Federal guidelines regarding equipment and real property management.

Effect: The City is not able to adequately monitor the use of capital assets obtained with Federal awards to ensure that assets are being used for a Federal purpose and that disposition of such assets, as applicable, are made in accordance with Federal guidelines.

Recommendation: We recommend that the City utilize its capital assets system to track the source of funds for assets purchased with Federal awards. In addition, the City should ensure that a physical inventory of equipment be taken at least once every two years.

CITY OF LANSING, MICHIGAN

Schedule of Findings and Questioned Costs (Continued)

For the Year Ended June 30, 2007

**View of
Responsible
Officials:**

Although assets obtained through Federal awards have been properly accounted for in the past, lack of recent activity allowed us to relax our diligence and these purchases were overlooked. We intend to track these and future Federal capital asset purchases through a fixed asset database.

Material Weakness

Finding 2007-4 Cash Management

Program: **CFDA #16.710 - COPS Interoperable Communications**

Criteria: The Compliance Supplement to OMB Circular A-133 indicates that when funds are advanced, recipients must follow procedures to minimize the time elapsing between the transfer of funds from the U.S. Treasury and disbursement.

Condition: During the month of March 2007, the City requested advances of federal funds which amounted to approximately \$380,000. Through year end, the City had only spent approximately \$135,000 of this advance, leaving an unexpended balance of approximately \$245,000.

Cause: The City did not properly interpret Federal requirements regarding cash management.

Effect: The City held advances that were in excess of its immediate cash needs for several months.

Questioned Costs: As of June 30, 2007, the amount of unexpended cash on hand was \$245,142. As of March 24, this amount was reduced to zero.

Recommendation: We recommend that the City make advance requests only when necessary, and then only for expenditures anticipated to be made within the next 3 business days. This should not pose a significant problem for the City considering the timing of payments allowed to subrecipients in accordance with the subrecipient agreements.

CITY OF LANSING, MICHIGAN

Schedule of Findings and Questioned Costs (Concluded)

For the Year Ended June 30, 2007

**View of
Responsible
Officials:**

When the questioned advance had been made, the then current activity level indicated that an advance this size would be utilized shortly after. The activity level unexpectedly dropped and we were left with the funds that you indicated. The funds have since been spent, and we will review the Compliance Supplement to OMB Circular A-133 to establish procedures to turn over the amounts advanced more timely.

SECTION IV – PRIOR YEAR FINDINGS

2006-1 Community Development Block Grant (CDBG) and Home Investment Partnerships Program (HOME) – Subrecipient Monitoring

The Community Development Department has implemented procedures in order to provide a system for ensuring that proper monitoring of subrecipients is performed annually.

* * * * *



REHMANN ROBSON

Certified Public Accountants

A member of THE REHMANN GROUP



December 14, 2007

To the City Council of the
City of Lansing
Lansing, Michigan

We have audited the financial statements of the City of Lansing for the year ended June 30, 2007, and have issued our report thereon dated December 14, 2007. Professional standards require that we provide you with the following information related to our audit.

Our Responsibility Under Auditing Standards Generally Accepted in the United States of America and OMB Circular A-133

As stated in our engagement letter dated June 26, 2007, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with accounting principles generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

In planning and performing our audit, we considered the City of Lansing's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether the City of Lansing's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about the City of Lansing's compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* applicable to each of its major federal programs for the purpose of expressing an opinion on the City of Lansing's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the City of Lansing's compliance with those requirements.

Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we advised management about the appropriateness of accounting policies and their application. The significant accounting policies used by the City of Lansing are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during the year. We noted no transactions entered into by the City of Lansing during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were:

- Management's estimate of the original cost and accumulated depreciation of its infrastructure capital assets is based on current replacement costs, and an assumed rate of inflation from the dates of original acquisition/construction. We evaluated the key factors assumptions used to develop the original cost and accumulated depreciation of the City's infrastructure capital assets in determining that they are reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future. We evaluated the key factors and assumptions used to develop the useful lives of those assets in determining that they are reasonable in relation to the financial statements taken as a whole.
- Management's estimate of the liability for uninsured risks of loss, including incurred but not reported claims, which are accounted for in certain of the City's internal service funds and for which the City utilizes the services of an independent third-party risk management consultant to estimate the liability. We relied upon the work of the third-party expert in determining that the liability is reasonable in relation to the financial statements taken as a whole.

Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the City of Lansing's financial reporting process (that is, cause future financial statements to be materially misstated). We proposed various adjustments, all of which were recorded by the City, which in our judgment indicate matters that could have a significant effect on the City of Lansing's financial reporting process. As a result, we included a significant deficiency in our Single Audit report as finding 2007-1.

Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a “second opinion” on certain situations. If a consultation involves application of an accounting principle to the governmental unit’s financial statements or a determination of the type of auditor’s opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the City of Lansing’s auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no difficulties in dealing with management in performing our audit.

This letter and the accompanying memorandum are intended for the use of the City Council, management, and federal awarding agencies and pass-through entities and are not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in black ink, appearing to read "Lehmann Johnson", written in a cursive style.

City of Lansing

Comments and Recommendations

For the Year Ended June 30, 2007

In planning and performing our audit of the financial statements of City of Lansing as of and for the year ended June 30, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered the City's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control. The deficiencies we noted that we consider to be significant deficiencies are described in the Schedule of Findings and Questioned Costs in the City's Single Audit report.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Other Matters – Budget Amendments

The State of Michigan requires that municipalities adopt budgets for the General Fund and all Special Revenue funds. Expenditures may not be incurred in any of those funds prior to formal authorization through the approval or amendment of the budget. There is not authority to amend the budget after year end. For the year ended June 30, 2007, the City included budget amendments in the financial statements that were approved by the City Council after year end. We recommend that the City change its budget processes so that all necessary budget amendments are approved by City Council before June 30.

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